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Fighting for life in Russia's  
polluted heart



# FINANCIAL TIMES

Friday May 29 1992

EUROPE'S BUSINESS NEWSPAPER

D8523A

## Spanish unions fail to halt nation with general strike

Spain's trade unions face some tough political decisions after failing yesterday to bring the country to a halt during a half-day general strike in protest at government spending cuts.

The morning strike had little effect in Madrid. Minimum public transport services deemed by the government in the face of fierce union criticism were exceeded. The government also held firm to its promise to use police to break up pickets trying to stop people using public transport.

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**Mandela sets out moderate path:** Nelson Mandela, leader of the African National Congress, set a moderate tone for deliberations of the ANC's policy conference when he said the organization was challenged "to avoid unrealistic expectations and to find a sober set of priorities." Page 4

**Washington passes energy bill:** The House of Representatives has passed an energy bill which, according to its sponsors, could cut US oil imports by nearly one-third by the year 2010. Page 6

**UN soldiers die in Croatia:** The UN peacekeeping force in Croatia suffered its first fatalities when two Argentine soldiers were killed and 24 injured when their truck overturned.

**Profits fall at Japanese banks:** Japan's leading commercial banks have reported a decline in annual pre-tax profits for the third year in succession, due to the combined impact of the plunge in financial markets, an increase in costs and a rise in write-offs on bad loans. Page 17

**Shanghai surprise for Chinese bulls:** The Chinese, who have embraced share trading with enthusiasm, are having to get used to the concept of prices going down as well as up, after prices on Shanghai's stock exchange dropped 19 per cent in three days. Page 16

**Russians wary of western practices:** Managers of Russia's biggest industrial enterprises are supporting moves towards a market economy but believe it is "unethical" to adopt western practices such as mass layoffs and aggressive pricing policies to reach that goal. Page 16

**JAL records first loss since 1985:** Japan Airlines reported its first pre-tax loss since 1985, blaming a slump in foreign business travel and rising operating costs for the ¥6bn (US\$6.1m) deficit for fiscal 1991. Page 20

**Mars suffers legal setback:** Mars, US-owned confectionery maker, lost a round in its legal battle over the European ice cream market when the Irish High Court ruled that Anglo-Dutch Unilever group was entitled to bar Mars products from its retail frozen cabinets. Page 2

**Amoco scales back spending:** Amoco, US oil majors company suffering from reduced profit margins, is to scale back its planned 1992 capital and exploration spending by 12 per cent, from \$3.7bn to \$3.25bn. Page 18

**Novell revenues rise 50%:** Novell, US computer networking software company, reported a 50 per cent jump in revenues to \$225m, up from \$150m, for its second quarter. Page 19

**PepsiCo in Belarus joint ventures:** Production of Pepsi bottles will start later this year in the republic of Belarus under a joint venture expected to produce \$100m of investment over the next five years. Page 3

**Nippon Oil earnings fall:** Nippon Oil, Japan's largest oil distributor, reported a 5.9 per cent fall in pre-tax earnings to ¥44bn (US\$39m) due to rising costs and lower income. Page 20

**European Parliament to raise Ecu 1bn:** The European Parliament hopes to raise Ecu 1bn (\$1.28bn) from the international capital markets to pay for its new parliament chamber, offices and secretariats in Brussels. Page 21

**Frankfurt banks carved up:** A 66-year-old pensioner was arrested by German police after allegedly using a motorised stonecutter to carve up 82 large bank windows and four cars in Frankfurt. Damage was estimated at DM1m (US\$600,000).

**Capone henchman dies:** Tony "Big Tuna" Accardo, reputed to have been Al Capone's successor and triggerman in the 1929 St Valentine's Day massacre, has died in Chicago at the age of 86. He earned his nickname after catching a 400-pound tuna off Florida, but was known to colleagues as "Joe Batters", apparently a reference to his use of baseball bats as weapons.

**Indian broadcasting protest:** Broadcasting workers took Indian television and radio off the air briefly yesterday in a protest to demand protection after Sikh militants beheaded an All India Radio supervisor in the Punjab city of Patiala.

**STOCK MARKET INDICES**

FT-SE 100	2,904.2	(-4.4)
Yield	4.6%	
FT-SE Eurobank 100	1,165.22	(+0.65)
FT-1 All Share	1,367.05	(-0.25)
Midcap	1,751.25	(+0.65)
New York Industrial	1,831.25	
Dow Jones Ind Ave	3,374.55	(+1.14)
S&P Composite	413.83	(+0.86)
Y Index	92.27	

**US DOWNTIME RATES**

Federal Funds	9.7%
3-m Treasury Bills	9.75%
Long Bond	10.1%
Yield	9.75%

**LONDON MONEY**

3-m Interbank	10.1%	(10.1%)
Life long gilt future: Jun 92/13 Jun 92/13	10.1%	
<b>NORTH SEA OIL (Argus)</b>		
Brent 15-day (Jul)	\$20.85	(20.575)
<b>Gold</b>		
New York Comex (Jun)	\$387	(338)
London	\$337.1	(338.75)
Partial		

**Asian Stock**

Bahrain	101.000	Iceland	101.180	Malta	101.50	S. Arabia	59.00
Belgium	BP160	India	R160	Morocco	SP160	Spain	PA160
Cyprus	CY170	Indonesia	Rp160	Nigeria	N160	Sweden	SE174
Czech	Kcs150	Israel	Sh150	Norway	N171.00	Switzerland	SF170
Denmark	DK114	Iraq	120.00	Qatar	Q120	United Kingdom	UK170
Egypt	E160	Jordan	120.25	Portugal	Es190	United States	US170
Finland	FI115	Kuwait	105.00	Philippines	Ph145	Turkey	L160
France	Fr160	Korea	105.00	Poland	Es190		
Greece	Dr160	Lebanon	US181.25	Portugal	Es190	UAE	DR160

**Arabia**

Saudi	101.000	Hungary	FI162	Malta	101.50	S. Arabia	59.00
Bahrain	101.000	Iceland	101.180	Morocco	SP160	Spain	PA160
Belgium	BP160	India	R160	Nigeria	N160	Sweden	SE174
Cyprus	CY170	Indonesia	Rp160	Nigeria	N171.00	Switzerland	SF170
Czech	Kcs150	Israel	Sh150	Norway	N171.00	United Kingdom	UK170
Denmark	DK114	Iraq	120.00	Qatar	Es190	United States	US170
Egypt	E160	Jordan	120.25	Portugal	Es190	Turkey	L160
Finland	FI115	Kuwait	105.00	Philippines	Ph145		
France	Fr160	Lebanon	US181.25	Poland	Es190	UAE	DR160
Greece	Dr160						

**Arabia**

**Scandinavia**

**Central Europe**

**Eastern Europe**

**Latin America**

**Other Countries**

**Asian Stock**

**Scandinavia**

**Central Europe**

**Eastern Europe**

**Latin America**

**Other Countries**

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## NEWS: EUROPE

## Danes wonder if it's time to get off the Eurowagon

FOR MANY Danes, Europe appears to be rolling in the wrong direction. A majority of them may be about to stop the unity bandwagon just long enough for their country to jump off.

Next Tuesday Danish voters decide in a binding referendum whether to accept or reject the Maastricht treaty agreed last December. The vote represents the first direct test of public opinion on the European union treaty in any of the 12 EC member states. It will be followed by a referendum in Ireland on June 18, and possibly in one in France later in the summer.

The Danes – traditional Eurosceptics – are showing strong signs of post-Maastricht irritation. In the first three weeks of May, opinion surveys

consistently showed small majorities against the treaty. A May 26 Gallup poll, however, indicated 41 per cent in favour, 39 per cent against.

Mr Uffe Elleemann-Jensen, the foreign minister, and Denmark's most enthusiastic and tireless pro-Maastricht campaigner, dismisses as irrelevant speculation of a negative vote. "None of it matters, for there will be a Yes. The Danish people have got too much sense to say No," he declares.

Even if Mr Elleemann is right, the pro-Europe vote seems almost certain to be much smaller than on the two previous occasions when Danes were consulted about European policies. In the 1972 referendum on EC membership, 63 per cent of votes were in favour of joining the Commu-

Many voters are having second thoughts about EC unity, writes Hilary Barnes

nity. In 1986, in the poll on the Single European Act, 56 per cent of voters said Yes.

There are many reasons for anti-Maastricht feeling. They range from complaints about the European Commission's strictures on sales of over-cavaceous cucumbers to fears that, in a federal Europe, Denmark will be dominated by 80m Germans.

Critics of Maastricht advance arguments on policies which

will not be directly implemented by the treaty. These include establishing a European army and proceeding to economic and monetary union (which Denmark would join only after yet another referendum). Above all, opposition focuses on worries about loss of sovereignty and self-determination, and general antipathy to the Brussels bureaucracy.

Opinion polls indicate a striking gulf between the people and the political and corporate establishment. The Folketing (parliament) voted by a comfortable 130 votes to 25 to ratify the treaty. The trade unions, all the main business organisations and almost every newspaper, per of any consequence, are urging the electorate to vote in favour. The voters appear unimpressed.

The campaign against Maastricht is headed by the two parties which voted against in the Folketing. These are the populist right-wing Progress Party, which wants to keep the Community as it is, and the left-wing, erstwhile Marxist, Socialist People's Party.

The opposition Social Democratic Party and the unions are in a particular dilemma. They support Maastricht, but two thirds or more of their normal supporters are against it.

The Confederation of Danish Trade Unions was even forced to cancel a pro-Maastricht demonstration in Copenhagen on May 22. It feared a repeat of events on May Day, when its chairman, Mr Finn Thorberg, had to break off his speech because of a barrage of catcalls and rotten fruit.

If Denmark votes No on June 2, what would be the effect on the rest of Europe? As a first step, on June 3 the Irish government would be expected to ask the other members to reaffirm their commitment to the treaty. Although this would require a new treaty excluding Denmark, the signals are that the other 11 members of the Community will implement European union whatever the outcome of the Danish vote.

Denmark might then have to accept an associate membership agreement along the lines of the European Economic Area deal with the Efta countries, according to Mr Henning Christoffersen, the Danish EC commissioner. Legally as well as practically, a two-tier European union would create enormous problems.

Denmark as a signatory to the Rome Treaty would be represented in some EC bodies but not others.

Mr Niels Erboll, the Danish secretary-general to the European Commission, argues that such an outcome would be unsustainable. Denmark would then, he says, be detached from the Rome Treaty institutions as well.

Supporters of the treaty such as Mr Christoffersen and Mr Erboll ceaselessly deploy the argument that Denmark cannot afford to be left out on the Maastricht road. One obstacle may, however, be particularly difficult to surmount: far more women are against the treaty than in favour. Perhaps, quips Mr Elleemann-Jensen, because virtually all the people telling them to say Yes are men.

## Russian role in Moldova underlined

By Chrystie Freeland  
in Tiraspol

CHILDREN laid flowers yesterday on four fresh graves of Russian army officers who died in the fighting in Moldova's breakaway region of Trans Dniestr.

The graves, in the central square of the region's capital, Tiraspol, seem to back up Moldovan claims that on May 19 parts of Russia's 14th army began to fight openly on the side of Trans Dniestr's Slavic separatists.

The war of words escalated over the role of Russian soldiers in the fighting, as a man was reported killed and three injured in a fresh clash between the region's largely Slav national guard and Moldovan militia near the outport of Bender.

On Wednesday, President Boris Yeltsin of Russia pledged that the 14th army would be withdrawn from Moldova, whose strong ties with Bucharest have aroused fears among the separatists that Trans Dniestr could one day be swallowed up in a greater Romania. The region declared independence from Moldova in September 1990.

Mr Mircea Snegur, the president of Moldova, yesterday described Mr Yeltsin's move as "a victory for communism", but said he feared Russian hardliners might block the withdrawal.

The Trans Dniestr Women's Defence Committee, which has been collecting weapons from unprotesting soldiers at Russian army barracks, said it had been assured by 14th army officials that the soldiers would not withdraw until the conflict was over. Over 100 people have died in the fighting in the past four months.

A defiant Mr Igor Smirnov, president of the breakaway republic, said yesterday he expected soldiers and officers from the 14th army to remain in the region and join the Trans Dniestr armed forces. That manpower, combined with Trans Dniestr's strong industrial base which Mr Smirnov said is being geared to military production, would be enough to defend the republic if the 14th army pulled out, he said. Mr Smirnov said entire units of the 14th army might join the separatist side.

Guarded by khaki-clad young men toting Kalashnikovs, Mr Smirnov said officers from the right bank of the Dniestr river, where Moldova has taken over most former Soviet forces, had defected to the Trans Dniestr military.

Mr Smirnov did not deny Moldovan allegations that the war was costing Trans Dniestr 1m roubles a day but said that funds from Russian enterprises and individuals were offsetting the cost.

## Delors warns against 'germ' of nationalism

THE European Commission president, Mr Jacques Delors, said yesterday that nationalism was a germ which could tear Europe apart again as it stood on the threshold of unity. Reuter reports from Aschen.

"One-sided nationalist policies are today a luxury nobody can afford, either politically or economically," he said after receiving one of Germany's highest political awards, the Charlemagne Prize, for promoting European unity.

He warned politicians against giving in to nationalism, which he said was rooted in fear of the future and would only destabilise Europe again if given free rein.

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## Mars loses a round in battle over ice-cream

By Guy de Jonquieres,  
Consumer Industries Editor

MARS, the US-owned confectionery maker, yesterday lost a round in its legal battle over the European ice cream market when the Irish High Court ruled that the Anglo-Dutch Unilever group was entitled to bar Mars products from its retail freezer cabinets.

The ruling follows a European Commission decision two months ago that Langnese-iglo, a Unilever subsidiary, and Schöller Lebensmittel, another German ice-cream maker, were acting illegally by maintaining exclusive ties with German retailers which kept Mars products out of their stores.

The Commission also reached an interim decision that exclusive freezer agreements operated by Unilever – Europe's biggest ice-cream maker – infringed EC competition law.

Mars yesterday sought to overturn a two-year-old Irish court injunction preventing it from putting its ice cream into freezers owned by H.B. Ice Cream, an Irish Unilever subsidiary.

However, the High Court said the injunction did not violate EC or Irish law.

Mars said it would appeal against the ruling before the Irish Supreme Court and possibly in the European Court of Justice.

It also expressed confidence that the EC Commission would decide formally to prohibit exclusive agreements.

## Romanian links with US improve

By Virginia Marsh  
in Bucharest

THE US and Romania are well on the road to improved economic and political relations, Mr Lawrence Eagleburger, the US deputy secretary of state, said after signing a bilateral investment treaty in Bucharest yesterday.

The treaty would lead to a "substantial improvement" in the investment climate in the country and would encourage more US companies to come to Romania, said Mr Eagleburger, the most senior US official to visit the country for more than two years.

US investment in Romania totalled \$38m between January 1990 and April 1992, 12 per cent of the total pledged by foreign investors. Colgate-Palmolive, Coca-Cola and PepsiCo are among the country's largest investors.

Mr Eagleburger's visit comes at a critical time for Romania which is trying to improve its international standing and attract increased foreign investment. Renewed US support for Romania reflects the strategic importance of the country, which borders the Yugoslav republics, Moldova and Ukraine.

Relations between the US and Romania were strained during 1990 and 1991 due chiefly to US concern about the Romanian authorities' handling of anti-government demonstrations, the lack of an independent television station and fears that the general election of 1990 were not held democratically.

## Correction Italian interim leader

In the editorial comment on page 18 of the Financial Times of May 27, Mr Giovanni Spadolini was incorrectly described as justice minister instead of interim president of the republic.

## Hungary gives boost to home-grown capitalism

By Nicholas Denton in Budapest

THE focus of Hungarian privatisation is turning inwards, to give preference to domestic over foreign investors, the government announced yesterday.

Mr Tamás Szabó, Hungary's privatisation minister, launched a battery of measures designed "to give a push to local investor demand".

The most concrete change in policy is an explicit commitment that domestic investors will be preferred over foreign companies in the case of

similar bids, whereas price was previously the all-important factor.

Further help for domestic investors who cannot afford to buy a state company outright will come in the form of concessionary leasing or option arrangements.

The new schemes will be financed partly by using Ft16bn (£110m) of the Ft57bn (£392m) of privatisation sale proceeds forecast for 1992.

Hungary has also turned towards Czechoslovak-style privatisation schemes to spur domestic ownership by distributing some state property

rather than selling it. The government is to hand over state assets to institutions such as universities, through mass distribution of shares to the public at large is still not on the agenda.

The change of emphasis comes at a time when both the government and privatisation itself are increasingly unpopular and marks a concession to political pressure for home-grown and popular capitalism after two years in which Hungary has relied almost exclusively on foreign corporate investors to take property off

state hands. Nine out of the top ten privatisations by value last year were to western companies.

Mr Szabó said that it was necessary to favour domestic investors in order to preserve the overall momentum of privatisation at a time when public showed a "tendency" to suspect foreign economic domination.

A survey this month showed that opinion was divided on privatisation with 39 per cent in favour of selling off state industry and 34 per cent against.

Public attitudes to foreign invest-

## New guard under pressure from younger blood

Ruling conservatives, writes Nicholas Denton, are suffering the democratic malady of mid-term blues



Britain's prime minister, Mr John Major (above right), was yesterday welcomed to Budapest with full military honours by

Mr József Antall, his Hungarian counterpart (above centre), at the beginning of a two-day official visit. Hungary later won

backing from Mr Major for its claim to be the first in the queue of former communist

governments, into a humiliating third place in a provincial town of Békéscsaba.

One thing is even more galling for Mr József Antall, the ailing conservative prime minister. The beneficiary of the Alliance of Young Democrats would be the government's unpopularity is a bunch of kids.

If one believes the polls, a group of recent graduates from Budapest University is heading for an absolute majority at the next parliamentary elections.

With about 50 per cent of support in the most recent Gallup poll, the young free-market liberals of the Alliance of Young Democrats would reduce the ruling centre-right coalition to a rump, and Mr Viktor Orbán, the 28-year-old party leader, would sweep Mr Antall from the prime minister's office.

The Young Democrats have

gone from 9 per cent of the vote and junior partner in the liberal opposition in the 1990 parliamentary elections to 18 per cent in local elections, to an opinion poll lead since last year.

A joint declaration signed by the two men, included an explicit recognition of Budapest's ambition to be part of the EC before the end of the century. Earlier this year, Hungary signed an agreement with

Poland and Czechoslovakia on a joint approach to entry to the Community.

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## NEWS: WORLD TRADE

## Japan warns US chip makers over imports pressure

By Robert Thomson in Tokyo

JAPAN'S electronics industry might reduce its purchases of US semiconductors if the US applies "too much" pressure for increased imports, Japanese government officials warned yesterday.

The warning follows Washington's decision to review the US-Japan chip pact and examine ways of improving exporters' access to the Japanese market, where the foreign share has hovered at 14 per cent for the past year.

Tokyo fears chips will be targeted by Washington during the US presidential election campaign, in an attempt to show the Bush administration has been tough on trade with the Japanese market.

The two countries disagree over interpreting the pact, signed last year and replacing a 1988 agreement. Japan says the wording provides no market share guarantees; the US chip industry argues the pact needs at least 20 per cent foreign share by the end of this year.

"At the end of last year, the foreign share was 14.4 per cent,

with little chance the 20 per cent figure will be reached. A Ministry of International Trade and Industry official said: "If this review doesn't just look at market share and creates a better understanding about the long-term relationship between the two industries, we think it may have a good effect."

If Washington applied unnecessary pressure, the official said, Japanese companies would be "discouraged" and might cut their purchases of foreign chips. He blamed the stalled market share on the slowing of the domestic economy and inability of mainland US makers to penetrate the Japanese market.

The Electronic Industries Association of Japan (EIAJ), which is due to meet US chip industry representatives in Tokyo next week, said some US companies had sold some chips in Japan, but others have failed to meet customer specifications.

"A Japanese customer was looking for small and thin chips, but found US semiconductor companies could not make it. We are collecting stories like that," the EIAJ said.

## Pepsico in Belarus bottle joint venture

By John Lloyd in Moscow

PRODUCTION OF Pepsi bottles will start later this year in the republic of Belarus under a joint venture officially announced in Moscow yesterday. The venture, named Bel-pak, is between Pepsico International and Eastern Chemical Company, both of the US, and Klimivokno chemical company and MPOST synthetic textile enterprise, both of Mogilev, Belarus.

The venture will make plastic bottles for soft drinks and is expected to produce 4,000m (256,000) of investment over the next five years from hard-currency earnings. The initial investment, which was said to be "modest", was not disclosed.

From the autumn, Bel-pak will produce polyethylene terephthalate resin (PET), a clear recyclable plastic used in making drinks bottles.

Half the production will be used for Pepsi bottles in the former Soviet Union, while the

rest will be exported to west and east Europe for hard currency.

The hard currency profits will be split equally between the two US partners and the two Belarus enterprises.

Production of the PET resin is expected to grow to 25,000 metric tonnes annually, equivalent to 500m 2-litre bottles a year.

Pepsico, the leading soft drinks maker in the former Soviet Union, has a history of innovative agreements since opening its first facility there in 1974. It trades its soft drink for exports of Stolichnaya vodka, and in the past two years, commercial ships built in the Ukraine.

Mr Donald Kendall, Pepsico's former chairman, said: "There is no question that US and other western companies should come into this market now. People who wait for political stability or better convertibility of the rouble will lose out to others."

## Andriessen mulls new US ideas on farm reform

By Nancy Dunn in Washington

MR Frans Andriessen, EC external relations commissioner, is bringing back to Brussels "new ideas" formulated by US cabinet officers to break the deadlock over farm trade reform in the Uruguay Round. In a day of intensive talks on Wednesday, US and EC officials exchanged suggestions and tried to work out "new formulas" now to be discussed in the EC Commission, a Brussels official said in Washington yesterday.

Senior US and EC officials are likely to meet again over agriculture before the Group of Seven summit in Germany in early July. Chancellor Helmut Kohl of Germany has voiced his desire to have Gatt matters out of the way by then, so it has become a meaningful deadline because each side believes

the other wants to meet it.

Mr Andriessen met Mr James Baker, US secretary of state; Mrs Carla Hills, US trade representative; and Mr Edward Madigan, agriculture secretary.

Observers saw it as "an important political signal" to give impetus to the Uruguay Round that Mr Baker had stayed in the talks from 11am until 5pm.

Both sides were trying to narrow the gap between concessions made possible by last week's agreement on Common Agricultural Policy reform, and wider requirements for a Gatt deal.

Export subsidies came up in the talks. "Rebalancing," an EC proposal that would allow it to levy new tariffs on maize

grain, was mentioned and presumably dismissed by the Americans, who refuse to agree to new duties. The talks ended with both sides "encouraged" but uninterested in meeting again yesterday.

## Third world 'faces neglect from industrial nations'

DEVELOPING countries face a "period of neglect" when trade and protectionism will be more important than aid or debt relief in shaping growth, Sir Peter Leslie, Commonwealth Development Corporation chairman, said yesterday. David Dowdell, World Trade Editor, reports.

Presenting the annual report of the CDC, the UK government-controlled organisation channelling aid into private-sector projects in developing countries, Sir Peter said funds were flowing less freely to the third world now than in the 1970s and 1980s.

Political and economic reform was the key to attracting investment with good governance and an end to corruption important preconditions for aid.

He noted the "progressive disappearance" of British private investors in countries where the CDC operates, and warned the protectionist consequences of a failure of the Uruguay Round trade talks would

## Greek exporters take to sea, air and narrow road

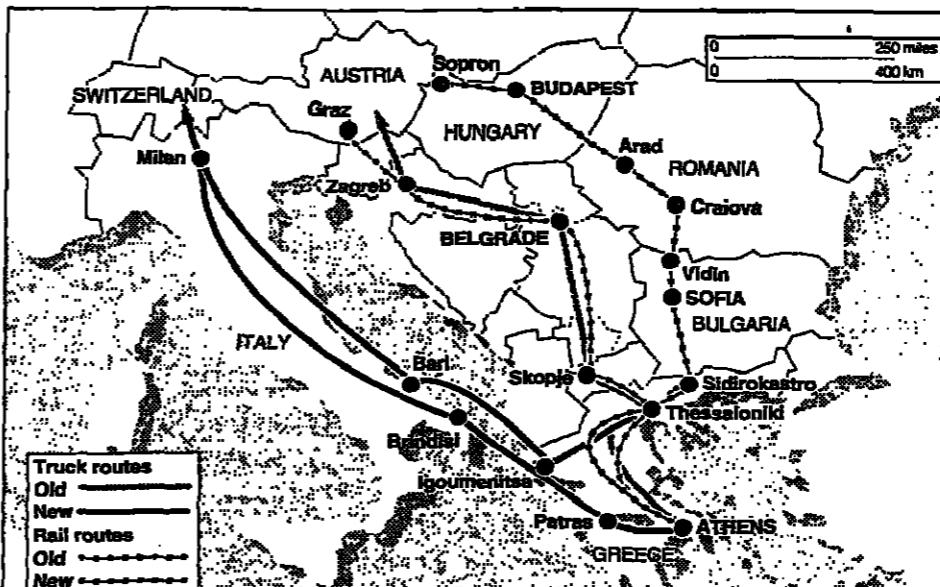
War in what was Yugoslavia, writes Kerin Hope, means finding new routes to Community markets

FOR GREEK exporters, war in the former Yugoslavia already means higher transport costs, fear of goods being hijacked and, for producers of oranges and cucumbers, a sizeable loss of business.

International sanctions against Serbia are likely to pose further problems for Greek trade with the European Community, which last year accounted for two-thirds of total trade worth \$25.8bn (£14.5bn). Until last summer, around 40 per cent of Greece's trade with its EC partners passed through Macedonia and Serbia. In the past 10 months, road haulage traffic through the northern Greek border has dropped by half, while trains to Belgrade and Munich no longer run regularly.

Customs officials say 100,150 international long-distance TIR trucks used to cross the Yugoslav and Bulgarian borders every day. Now fewer than 70 do so. Most drivers prefer to take a slow two-lane road through Bulgaria rather than the Belgrade highway. Greek exporters and freight forwarders are expending ingenuity devising alternate routes to western Europe that avoid Serbia.

Agreement was reached earlier this year on a new rail route to Austria through Bulgaria. Trains can reach Greece in 38 hours, the time taken on the old rail route through Croatia and Slovenia. Mr Ioannides says higher costs are not enough to deter traders if it becomes impossible to transit Serbia. Trucks now take a more expensive time-consuming route, using ferries to Italy from western Greek ports. But costs are up to 30 per cent higher for manufactured goods and up to 90 per cent higher for fresh fruit and vegetables at times when the bulk of a crop becomes available.



At peak points in the season, especially summer, when tourists compete for space with trucks carrying grapes or peaches, not enough ferries are available.

Also, the small western Greek ports are not equipped to handle large numbers of TIR trucks. An Igoumenitsa harbour official said: "Even in January it was chaos here when the oranges were leaving. We don't have parking space for more than a handful of 20-tonne trucks."

Farm produce accounts for more than 20 per cent of Greek exports, with fresh fruit and vegetables the highest earners.

But, last winter, orange exports to the EC fell by 38 per cent to 57,500 tonnes, according to Incofruit, the exporters' association. Cucumber exports were down by 37 per cent to 29,700 tonnes. Exports of

oranges to eastern European countries rose by 22 per cent to 157,000 tonnes, but overall fruit and vegetable earnings still declined to \$352m for the 1991-92 season, a 6 per cent fall from the previous year.

Bumper harvests of cherries and peaches were expected this year, but these were too expensive to find markets easily in eastern Europe. Exporters on the island of Crete, which accounts for more than 50 per cent of Greek fruit and vegetable exports, are planning for the first time to air-freight produce, aboard charter flights taking European tourists home from holidays. After years of resistance to similar proposals, the Greek ministry of transport last week agreed that tourist charter jets could carry a limited amount of cargo.

A report by the Chamber of Commerce in Heraklion, Crete's principal town, estimates that up to 750 tonnes of fruit and vegetables could be shipped each week to cities in Britain, the Netherlands and Germany. "Air freight costs twice as much as road and ferry. But we think this can be covered by the extra value of fruit marketed within a few hours of being picked," a Chamber official said.

## ADAPTING TO A CHANGING EUROPE

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## Building on Strength

*Casio Computer has prospered by Continually adding value to existing products. This policy, and the revolution in microelectronics, have enabled the company to identify new market opportunities at a time when the global economic environment is uncertain. Company president Kazuo Kashio explains.*

By Russell McCulloch



Mr. Kazuo Kashio, President, Casio Computer Co., Ltd.

*McCulloch: The world economy slowed markedly last year. Was this downturn reflected in Casio's business results?*

**Kashio:** In spite of the recession that has affected the world's major economies, including Japan's, our total sales showed an increase of 15.6 per cent during last fiscal year and our pre-tax profits rose by 10.0 per cent compared with 1990. As Casio was able to increase both its sales and profits when other Japanese companies have seen a decrease in profits, I was very pleased with this result. It shows that we have been performing well. However in our major markets, it is difficult to see signs of an economic recovery and the future remains uncertain.

*McCulloch: How has Casio been able to ride out the recession?*

**Kashio:** The answer lies in the structure of our operations. At Casio, we develop products by ourselves, manufacture many of the key components ourselves and also market the products ourselves. This gives us a considerable advantage over other companies which have less flexibility, especially manufacturers of parts and components.

For example, shipments of personal computers worldwide dropped by about 13 per cent during 1991, and because of this, the semiconductor industry has been badly affected.

The situation is not of their making but nevertheless they must cope with the consequences. However at Casio, we are both flexible and self-reliant, and this enables us to adjust smoothly when market circumstances become difficult. This is an important factor, and it helped us to achieve our good results last year.

*McCulloch: Can you maintain the momentum?*

**Kashio:** Maintaining the growth and prosperity of any company is not possible without the full dedication

of its employees. To achieve this, targets must be set and senior management must be determined to achieve those targets. At the beginning of 1990 we set out to double revenues to \$100 billion by 1994, and regardless of economic conditions we have to attain this results. It is the responsibility of the top executives in charge of each department in the company to ensure that the individual department or section target is reached.

Then, every employee is very conscious of his or her responsibilities and each selects work procedures based on whether they will help to meet their goal. In this way, growth can be assured and the momentum can be maintained.

*McCulloch: If your recent business results are any indication, about one quarter of Casio's 1994 revenue will be derived from sales of digital watches. The watch market is said to be "mature" but Casio's sales continue to grow. Why is this?*

**Kashio:** If you ask people "What is a watch?" they will invariably reply that it is something you wear on your wrist which tells time. At Casio, we ask if there is any other information instrument which you can wear on your wrist.

*McCulloch: Wrist Industry' Opens New Horizons*

By viewing the watch as a source of information and not merely as a timepiece, we have created a completely new industrial field which we call the "Wrist Industry".

For example, we have recently launched the BP-100 Blood Pressure Monitor which is a totally new

product.

Consumers seek items at afford-

able prices, and it is our policy of marketing our products at prices which seem reasonable to average consumers which has, in turn, made our products popular. We will continue this policy.

*McCulloch: Casio is also becoming active in Liquid Crystal Displays (LCDs) and I understand that you are planning to construct a new plant to produce advanced LCDs. Could you provide some more details?*

**Kashio:** The market for LCDs, especially high-resolution colour screen LCDs, is expected to become huge in future. For many years we have been producing passive matrix LCDs, at our Kofu plant, for use in our range of watches, calculators, pocket televisions and other items.

However, because we expect strong future demand for colour active matrix and TFT (Thin Film Transistor) LCDs, we have decided to invest \$12 billion over the next two years to build a new plant alongside our existing facilities in Kochi in Shikoku. We expect that the new plant will be commissioned towards the end of 1993, and we hope to produce \$1 billion worth of these advanced LCDs by fiscal 1994. Our plan will double by 1995.

Of course, much of the production we will consume ourselves, although we are also intending to promote sales to outside companies as a way of expanding this business.

In electronic devices, the other area we are focusing on is TAB (Tape Automated Bonding) technology, which is used in bonding semiconductor chips and carrier tapes. While TAB film has various applications, the most promising for us lies in its

use with LCDs. Using this technology, bonding connections as thin as 50 microns can be made which helps us improve the resolution of our LCDs. This technology is also essential for miniaturization. We have two plants producing TAB components—at Kochi and at Ome near Tokyo—and our monthly production is now 6 million units.

*McCulloch: You mentioned previously that in light of the continuing world recession, the future remained uncertain. Does this caution also apply to the way in which you view Europe?*

**Kashio:** The European economy is slow at the moment but I expect this situation to improve. The integration of the E.C. markets will serve as a timely fillip for the major economies of the region. And of course, the Summer Olympic Games are to be held in Barcelona, and Seville is hosting the world Expo, so these developments should spur economic activity across the Continent in the near future.

## Local Companies Foster Global Image

Casio is well placed to reap the benefits. Three of our distribution companies are located in Europe—in the UK, Germany and The Netherlands—and we have already established an office for sales and service in Poland to take advantage of the emerging free-enterprise economies of central Europe.

The key point is that by appointing local personnel to senior positions in our overseas distribution companies, these organisations are not viewed as Casio subsidiaries but as local entities.

In other words, we have established a global network, and Casio's image as a truly global company is now well in place. Among the numerous benefits resulting from this is that consumers worldwide can feel confident about purchasing a Casio product, knowing that they can receive service and support locally.

# CASIO.

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Unit 6, 1000 North Circular Road,  
London, NW2 7JD  
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## NEWS: INTERNATIONAL

## £97m provision urged on bank in India scandal

By R.C.Murthy in Bombay

ANZ Grindlays, India's largest foreign-owned bank, has been asked to make a Rs5bn (937m) provision for possible losses at its Bombay branch in India's securities market scandal.

The Reserve Bank of India, the central bank, which asked ANZ Grindlays to make the provision, also asked State Bank of India, the country's largest bank, to provide Rs1bn.

Directors of Australia's ANZ Group, parent of ANZ Grindlays, said earlier this week that they did not anticipate any losses from the Indian upheavals and that ANZ Grindlays had reconciled all its banker's receipts, a form of IJU at the heart of the scandal.

By issuing banker's receipts, banks pledged delivery of securities for which they supposedly had already paid. They were used as collateral to fund purchases of shares in Bombay's stock market.

Two small banks which issued large amounts of receipts have been put into liquidation by the Reserve Bank: Bank of Karad and Metropolitan Co-operative Bank.

The extent of the involvement of ANZ Grindlays and State Bank emerged last week after a meeting of banks to reconcile their accounts, but the Reserve Bank attempted on Wednesday to force them to provide cover for the possible losses. Standard Chartered of the UK is believed to have

exposure of Rs3.62bn to Bank of Karad and Rs1.3bn to Metropolitan Co-operative Bank. Some Indian officials believe that the £50m provision which it has made against possible losses is inadequate.

However, the exposure of ANZ Grindlays arose because nearly Rs5bn was credited to the account of Mr Harshad Mehta, a Bombay broker, against a cheque issued by National Housing Bank. The exposure of NHB to bankers' receipts is Rs1.3bn.

The Reserve Bank considers that ANZ Grindlays' action in crediting the proceeds of the cheque, drawn in favour of the bank, to an individual's account violated international banking practice.

The Reserve Bank's decision to ask for full cover is seen as a move to end the stalemate and force ANZ Grindlays to settle the dispute with NHB, which is owned by the Reserve Bank, either bilaterally or in court.

Bankers in London say that despite the high amounts of exposure of some foreign banks, they may be able to recoup part of the lost money through legal action and that the Reserve Bank's move to put banks into liquidation would make it easier to track the money.

## HK looks forward to monetary authority

By Simon Holberton

In Hong Kong

HONG KONG yesterday moved closer to the creation of a monetary authority, or central bank, when the government said it would set up a discount window to act as a lender of last resort to the colony's banking system.

The discount window will be administered by the Office of the Exchange Fund, a government entity which manages the colony's foreign exchange reserves, sets interest rates and is responsible for maintaining the value of the Hong Kong dollar.

The move marks a further step in the development of the Exchange Fund into an active public sector institution monitoring the day-to-day monetary affairs of the colony. It further erodes the informal style of monetary management in the colony and the role of Hong Kong and Shanghai bank

which, in the past, has acted as the government's agent in times of financial turbulence.

Mr David Nenick, secretary for monetary affairs, said last night that the government had no intention of taking away Hongkong Bank's powers to issue bank notes or manage the bank clearing system in the colony.

Analysts expect the Exchange Fund to evolve into a Hong Kong version of the Monetary Authority of Singapore before Britain relinquishes sovereignty of the colony to China in 1997.

The "liquidity adjustment facility" (LAF), as the discount window is known, will be introduced on June 8 and will enable banks to make late adjustments to their liquidity positions. Overnight funds will normally be provided to banks through sale and repurchase agreements of their holdings of exchange fund bills and Hong Kong government bonds.

## Growth in South Korea shows quarterly slowdown

SOUTH Korea's economic growth slowed during the first three months of this year after years of overheating that caused high inflation and large deficits, AP-DJ reports from Seoul.

According to the Bank of Korea, the central bank, gross national product during the period rose 7.5 per cent on a yearly basis, compared with 8.7 per cent a year earlier. The figure also contrasts with an economic growth rate of 8.4 per cent of the year of 1991.

A central banker described

the level of growth in the first quarter as "very desirable" because it approached South Korea's optimum economic growth rate of 7 per cent.

The slowdown was aided by the government's tight monetary policy, said the official.

The central bank said in a separate report yesterday that the current account deficit in April was \$280m (£158m), compared with \$900m a year earlier and \$370m a month earlier. This was mainly because of a sharp slowing in construction.

Analysts expect the

## Thai political failures reach economy

Growth will be affected but investors will not be scared off, writes Victor Mallet

THE widely held notion of the last two decades that business could be conducted in Thailand without too much thought for the antics of the politicians and generals running the country appears comprehensively discredited by last week's violence.

Government officials, economists, bankers and foreign investors have hurriedly revised their economic forecasts downwards since Thai troops killed at least 40 pro-democracy demonstrators at the height of a political crisis which finally forced the resignation of Gen Suchinda Krairayoon, the prime minister.

Financial institutions which had been predicting real gross domestic product growth close to last year's 8 per cent are now talking of a figure below 7 per cent, while at the bottom end of the scale one stockbroker has reduced his growth estimate to 5.3 per cent from 5.9 per cent.

Such predictions are of questionable value when the gap between the guesses of different forecasters is greater than the gap between the new and old guesses of each, but all are agreed that tourism, foreign investment and the fragile property market will be hard hit by the sudden reduction of confidence in Thailand. Speculative investments based on assumptions of high growth earners.

The industry was recovering

est rates are likely to rise - the interbank rate has already risen to 10.5 per cent from 6 per cent in the last 10 days as foreign creditors restrict their exposure to Thailand, moderately increase risk premiums and force Thai companies to borrow more domestically.

An anticipated increase in corporate profits will be restrained by the crisis, with hotels, property and finance companies likely to suffer the most.

Factory output, exports and imports were only briefly disrupted by last week's chaos.

The most immediate blow is to tourism, which provided some \$4bn (£2.2bn) in income for Thailand last year, one of the largest foreign exchange earners.

Exports have been buoyant

so far this year and if an expected slowdown of imports compensates for the loss of tourism revenue, the current account deficit could drop to just over 5 per cent of gross domestic product this year from a dangerous high ratio of more than 8 per cent in 1991.

Thailand has not suddenly lost its fundamental economic attractions.

"People didn't come here

because of good government," says Mr Mechai Viravaidyas, a former minister.

"You ask investors. They

came because of skilled workers and relatively cheap wages."

But the violence has

reminded investors - albeit with unpleasant abruptness - that the failings of Thai politics were already affecting their operations.

Hotels have started cutting

their rates and Thai Airways

international has reported

heavy cancellations of bookings on flights into Bangkok,

especially from Japan.

Loss of tourism revenue will

affect the current account, and a sharp drop in investment inflows will damage the balance of payments as a whole.

Many economists and bankers, however, dismiss fears of a

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## Defiant Bond loses licence to indulge in overkill

By Kevin Brown in Perth

MR Alan Bond, the fallen idol of corporate Australia, managed a wry smile to his family before being taken off to the Perth police cells yesterday, convicted of corporate dishonesty and facing up to five years in prison.

Mr Bond's apparent resilience did little to comfort his former wife Eileen and children John and Craig, who were clearly upset by a verdict they had feared but not expected.

But it showed that, in Mr Bond's mind at least, the Alan Bond story may not yet be over, in spite of the double blow of bankruptcy and a criminal conviction within two months.

Ironically, it was that kind of determination in the face of adversity which made Mr Bond the favourite son and most prominent citizen of the Western Australian city he made his corporate base for more than 30 years.

Starting with a one-man painting company, Mr Bond built an international media, brewing and property business which made him the best known of Australia's entrepreneurs. At his peak, he won the 1988 America's Cup, was rich enough to shower presents worth millions of dollars a year on friends and family, and was lauded as "a great Australian" by Mr Bob Hawke, the former prime minister.

Less than two years ago, he was still chairman of Bond Corporation Holdings, a quoted flagship with assets of about A\$10bn (£4.1bn), and Dallhold Investments, a private company with extensive property holdings.

Now Bond Corp is being restructured by its creditors, Dallhold is in receivership, and Mr Bond is bankrupt, with debts and contingent liabilities of more than A\$700m.

The trigger for his downfall was an ill-advised attack on Lourho, the British company managed by Mr Tiny Rowland, which convinced many of Bond Corp's bankers and creditors that the group was technically deficient.

But the underlying cause was Mr Bond's failure to recognise that the 1987 stock market crash had ended the period in which entrepreneurs could bank on continually rising asset values to finance their borrowings.

Mr Bond's influence on corporate Australia, and his confidence after the crash, were exemplified by the rescue of Mr Laurie Connell's Rothwells merchant bank, which provided the background for the events which led to the trial.

Rothwells suffered a run on its deposits in the days after the crash, and would have been unable to continue in business without the rescue, in which Mr Connell contributed A\$70m, shareholders A\$150m, and the state government a further A\$150m by way of a guarantee against bank loans.

Mr Connell told the court that the rescue could not have succeeded without the participation of Bond Corp, which helped to recruit support from prominent companies such as Mr John Elliott's Elders IXL (now Foster's Brewing), Mr Kerry Foster's Consolidated Press Holdings, and Mr Brian Yulli's Spedley group.

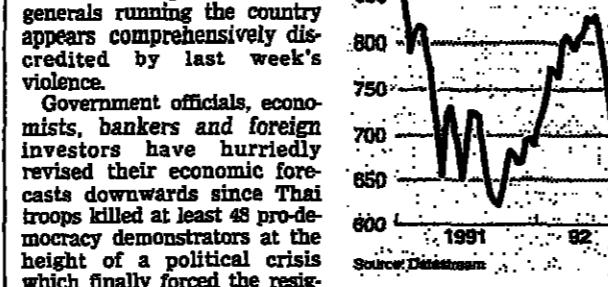
Mr Bond said no one expected the rescue to fail. But Rothwells collapsed only a year later, setting off a series of inquiries into the way the rescue was handled, and the close links between politicians and businessmen in Western Australia.

It was those inquiries which brought Mr Bond to court yesterday, charged with dishonesty concealing the existence of a A\$16m success fee from a businessman recruited to underwrite Rothwells' share issue.

Mr Bond was the first important business figure to face trial over the Rothwells rescue, but he will not be the last. Another 18 people have been charged with more than 250 offences, including Mr Connell, who faces 78 charges.

In addition, a royal commission into Western Australian business links with politicians is expected to report in October, and further inquiries are being carried out by the Australian Securities Commission, the federal corporate watchdog.

Mr Bond will discover today whether he is to serve a prison sentence or pay a fine of up to A\$20,000, or both. Meanwhile, his trustee in bankruptcy is still trying to trace what happened to millions of dollars worth of personal assets in Australia, the UK and elsewhere.



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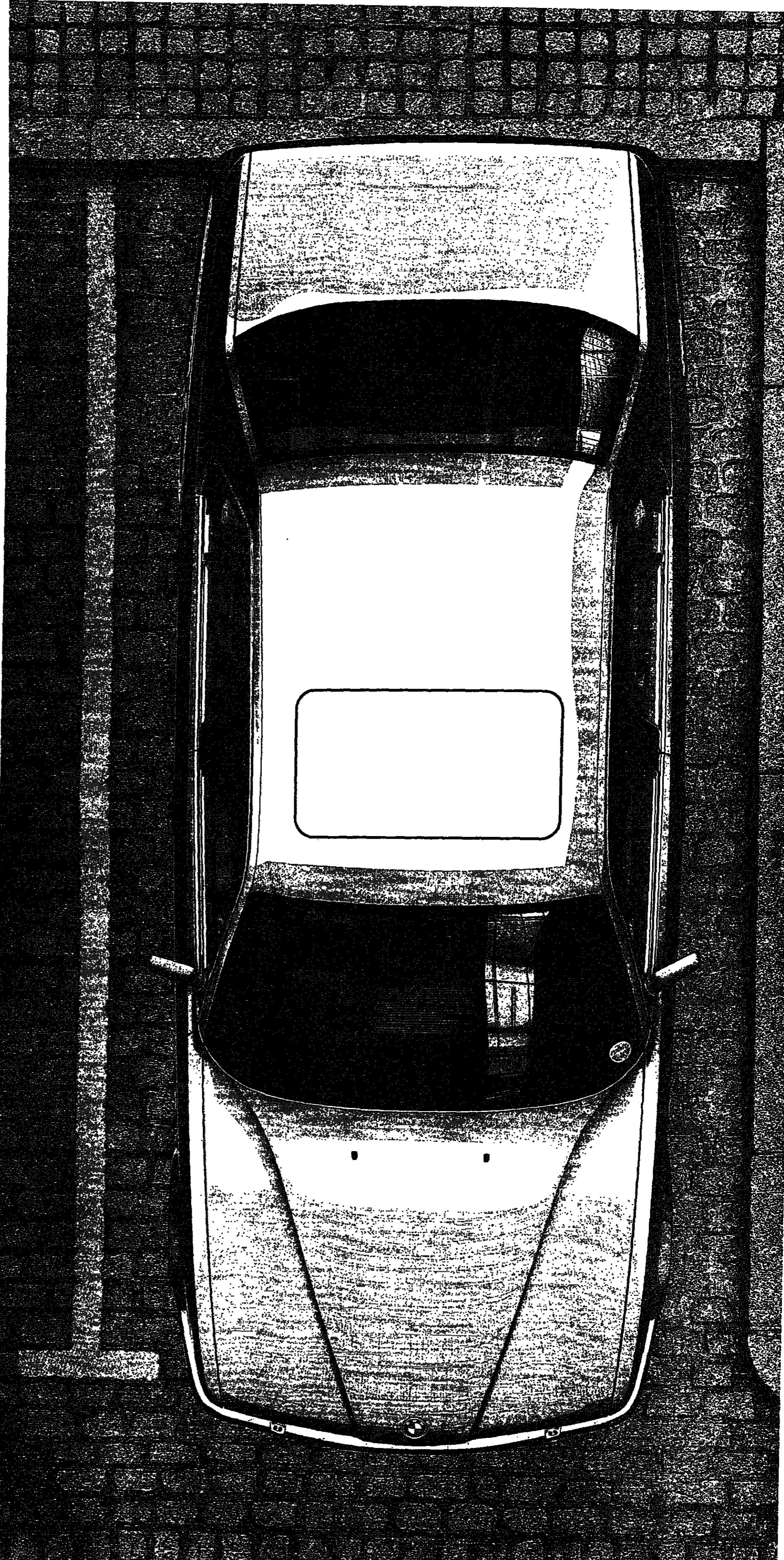
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## THE FINE LINE BETWEEN LUXURY AND EXTRAVAGANCE.

Inside knowledge can be so valuable.

The biggest car fleet operator in Europe is a company called PHH AllStar. They're responsible for the care and maintenance of some 115,000 cars: a figure that includes 900 Jaguars, 1,800 Mercedes and 4,200 BMWs.

PHH compile regular surveys of their cars' costs: they're essential to the success of their business.

The surveys are of course, totally objective and independent of any car manufacturer. But the results are quite unashamedly biased in favour of the BMW 7 Series.

Running costs compared to the BMW 730i.

Mercedes S-Class	+31%
Jaguar XJ6 2.9 Litres	+77%
Jaguar XJ6/XJS 3.6 Litres	+93%

Figures based on car service, maintenance and repair costs of vehicles which have covered 24,000 miles.

All cars bought new between 1988 and 1991. Source: PHH AllStar December 1991.

Indeed, armed with this knowledge, one wonders what self-respecting Chief Executive could possibly be seen driving anything but the BMW 730i. (Especially by another Chief Executive.)

There's that nagging thought: if one's company car fails to demonstrate optimum efficiency, performance and drive, might the same be assumed of one's company?

To: BMW Information Service, Winterhill, Milton Keynes MK6 1HQ. Telephone 0908 249189. Please send me further information on the BMW 7 Series, including details on the PHH running cost data and the name of my local dealer.

(Mr, Mrs, Miss etc.) Initial Surname

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THE ULTIMATE DRIVING MACHINE

## NEWS: AMERICA

## House passes energy bill with oil-saving aim

By Jurek Martin, US Editor, in Washington

THE House of Representatives has passed an energy bill which, according to its sponsors, could cut US oil imports by nearly one-third by the year 2010.

The bill, voted through easily on Wednesday, has been described as the most comprehensive piece of energy legislation for more than a decade. It covers most aspects of domestic energy use and regulation and includes many compromises between environmental and industry lobbying groups.

The highlights include a prohibition on further offshore oil drilling, excepting the Gulf of Mexico and Alaska, for the next decade. The administration had objected to this restriction, but not to the point of threatening a veto. On the other hand, the oil industry was relieved that it is not being forced to underwrite a proposal later stripped out of the bill for a 1bn barrels strategic petroleum reserve.

The bill is not designed to address the concerns likely to be raised at next week's Earth Summit in Rio de Janeiro.

The legislation contains no provision to force the car industry to improve fuel efficiency standards, but it does encourage greater investment in vehicles powered by other sources of energy. It also tries to stimulate use of public transport by placing a limit of \$160 a month on the value of tax-free car parking privileges offered to employees.

It promotes incentives and tax credits for further development of solar, wind and geothermal energy supplies and makes slightly easier current regulations on building nuclear power plants and natural gas pipelines. Independent non-utility companies would also be encouraged to enter the power business by requiring existing utilities to make their transmission facilities available to new entrants.

Congressman Philip Sharp, a Democrat from Indiana, estimated that oil imports could be cut by 3m barrels a day by 2010, with the equivalent of a further 2m b/d savings through increased use of other non-fossil sources of energy. The US now consumes about 17m b/d, roughly half of which is imported.



HELLO, SAILOR: Midshipman Alexis Petrosky has a close encounter with her commander-in-chief as President George Bush presents diplomas to new officers at the US naval academy's passing-out parade

## Chicago brokerage charged

By Barbara Durr in Chicago

THE US Securities and Exchange Commission has charged Stotler & Co, once a leading Chicago futures brokerage, and its top four executive officers with defrauding investors and deceiving the commission about the real state of the firm's financial condition. The agency is seeking to recover at least \$15m.

The charge is that Mr Thomas Egan, president and chief operating officer of Stotler, and three other executives engaged in various schemes to defraud investors and cover their wrongdoing

with "unlawful, contrived and bogus transactions."

The suit alleges, for example, that \$2.2m of the proceeds from Stotler's initial public offering in 1988 were diverted to certain partners. Stotler was a futures commission merchant and a commodities pool operator, as well as a broker-dealer in US government securities.

No criminal penalties are sought but the SEC, beyond seeking that partners give up gains alleged to have been illicit, requested that Mr Egan never again be allowed to act as a director or officer of a public company.

The scandal at Stotler,

which went broke nearly two years ago, enveloped one of the futures industry's biggest names, Mr Karsten "Cash" Mahlmann. He was chairman of Stotler, and was forced to resign from the chairmanship of the Chicago Board of Trade, the world's largest futures exchange, two days after Stotler declared bankruptcy in August 1990.

Mr Mahlmann was not charged with any wrongdoing in the SEC complaint, but was named as one of 17 partners from whom the agency will seek money that should have gone – it is alleged – to the investors but was distributed to partners.

## Hurd boosts Mexican links

By Damian Fraser in Mexico City

MR Douglas Hurd, Britain's foreign secretary, has concluded a three-day trip to Mexico promising to make "a deliberate and vigorous effort" to restore the UK's "historical relationship" with Latin America.

His visit – days before the visit of Mr John Major, the British prime minister, to Brazil and Colombia – is intended to boost trade between the UK and the region, and prepare the way for President Carlos Salinas's state visit to the UK in July.

Mr Hurd pressed the Mexican

authorities on the North American Free Trade Agreement, urging that this not erect barriers to the outside world.

"It is rather important that British banks should not be discriminated against in any serious way," he said. Mr Hurd understood that Mexican concessions offered to the US and Canada would be made to other countries "in the reasonable future".

The foreign secretary heaped praise on the economic reforms under way in Latin America, and berated those in the UK who "are still slow to understand what is happening." He described Mexico's reforms as a leading example of what can be done by following sensible policies.

Mr Hurd was less flattering about Mexico's path to democracy. "President Salinas is modernising Mexican democratic arrangements. I support this process: I hope it will go further," he said.

The foreign secretary visited Guadalajara, scene of the gas explosion that killed more than 200 people last month, and announced a £100,000 contribution to the disaster relief fund. AP reports from Washington: Mexico City is to have a \$100m loan to help tackle its pollution problem, the Inter-American Development Bank announced.

## FT WRITERS ON PREPARATIONS FOR THE EARTH SUMMIT NEXT WEEK IN RIO DE JANEIRO

### Brazil attacks lack of backing for Amazon

By Christina Lamb in Rio de Janeiro

A PROJECT to protect the Brazilian Amazon, that was originally planned as the centrepiece of the Earth Summit, may prove an embarrassment. Brazil claims the industrialised world is failing to take the project seriously, and that too little money is being committed.

The \$1.5bn Rainforest Pilot Project was approved by the Group of Seven leading industrial nations in 1990 and declared by the World Bank to be an "example of co-operation between developed and developing countries on global environmental issues."

Yet, two years on, only \$83.5m has been raised, and this only after Brazilian President Fernando Collor had written an angry letter to G7 heads of government. The US, which has been one of the leading critics of Amazonian deforestation, gave only \$5m.

"The first world is being very hypocritical – it annoys me tremendously," complains Mr José Goldemberg, Brazil's Environment Minister. "We get a lot of advice and rhetoric but very little money."

He also complains that mul-

### Treasure trove carries warning

By Clive Cookson, Science Editor

TECHNOLOGY transfer has been a frequent incantation in the Amazon of which he is "very sceptical" such as extractive reserves – areas reserved for activities like the gathering of Brazil nuts and rubber-tapping which do not harm the forest, but which many analysts believe are condemning people to poverty.

"The maintenance of extractive reserves is very artificial in economic terms – we're having to make an enormous effort to subsidise these people."

A senior World Bank official said that he was not aware of any complaints by Brazil on this issue. But he admitted that international response to the Amazonian Pilot Programme had been "disappointing" and that the project would be "smaller and slower than planned".

Of the money pledged so far, \$15.5m is from Germany and \$10m from the EC. Canada has contributed less than \$1m. The G7 has promised a further \$200m over the next three years, of which 10 per cent must be provided by Brazil.

However, the official said "most of this is bilateral aid already committed by G7 countries. There is almost no additional, if at all – it's just consolidating old aid in a new account".

In the industrialised world, governments, companies and environmentalists agree that scientific knowledge and technical skills need to be transferred on a large scale to developing countries, if practical

progress is to be made on any of the specific global problems from climate change to the extinction of wildlife. But they say the Third World is missing the point when it pays so much attention to patented western technology.

As Mr Mostafa Tolba, director of the UN Environment Programme, told a conference at Chatham House in London: "If developing countries follow the short-cuts of using obsolete, economically inefficient technologies based on resources and energy glutony and catastrophic pollution and waste generation, then our destruction is assured." But the phrase "technology transfer" and its practical implications are understood quite differently on opposite sides of the north-south divide.

"It is a horribly confused issue," says Mr Chris Rose, programme director of the environmental group Greenpeace. "Some people are talking about money, some are talking about patents and some are talking about equipment." Politicians in developing countries demand access to what they see as a treasure trove of advanced technology in industrialised countries, which would allow them to combine fast growth with environmental improvement.

In the industrialised world, governments, companies and environmentalists agree that scientific knowledge and technical skills need to be transferred on a large scale to developing



Tolba: Fearing short cuts to destruction

countries, if practical progress is to be made on any of the specific global problems from climate change to the extinction of wildlife. But they say the Third World is missing the point when it pays so much attention to patented western technology.

The obstacles for developing countries are first to find out about appropriate technologies and then, far more difficult, to find funds to introduce them.

Any practical steps taken at the Rio conference are likely to focus on the first stage: improving access to environmental technology. UN staff estimate the international community will need to contribute \$150m-\$200m a year to run an expanded worldwide network of technology information exchanges.

For example, the International Cleaner Production Information Clearinghouse (ICPI) which UNEP is using to transfer information about CFC-free manufacturing, as part of the Montreal Protocol, the international treaty to phase out ozone-destroying chemicals.

Mr Tolba sees the Protocol as a model for environmental

technology transfer. The original 1987 Montreal accord was amended in 1990 to set up an interim fund of \$160m contributed by the industrialised world – which will be used to help developing countries eliminate consumption of CFCs.

Technology transfer to combat global warming through more efficient use of energy will be more expensive. Mr Klaus Topfer, the German environment minister, pointed out after a recent visit to China that the average Chinese power station burns 440 grams of coal to generate 1 kilowatt-hour of electricity, while a modern German power station consumes 300g of coal per kWh today and will burn 220g in 2010 in the year 2000.

Mr Toufic Sidiqi, an environmental policy analyst at the East-West Centre in Hawaii, calculates that an investment of \$6bn in improving the energy efficiency of Chinese

power stations would save 10m tonnes of coal a year and reduce carbon emissions which contribute to global warming.

An even larger contribution could be made by adapting China's 400,000 small industrial boilers to burn coal more efficiently, their efficiency being 10 times that of the even the most efficient of the world's power stations.

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## Rights to the planet's many species in dispute

By Christina Lamb

IF a cure for cancer is found in the bark of a tree grown only in the northern Amazon, is that tree a Brazilian asset? If so, how should it be valued? Should countries with the technology to turn it into a pharmaceutical product be given access to it and so should they pay royalties to Brazil? Can a tree be patented?

These are questions being raised in negotiations on biological diversity – one of the main issues at the Earth Summit and very complex.

Biodiversity refers to all the species of animals, plants, genetic material and ecosystems in the world. These are essential for the world's food and fibre needs, and for many medicines,

but knowledge of the subject is far from complete.

To date, 1.4m species have been identified but biologists believe at least 10m – maybe as many as 100m – exist.

Many species are being wiped out at the rate of as many as 75 per day, along with the acre of tropical forest that vanishes every second because of human activities such as mining, logging, agriculture and polluting industries.

The belief that species as yet unknown are being lost, and which are potentially valuable for economic and scientific development, has made biodiversity an increasingly important issue.

"To call it a convention on biodi-

versity is misleading," says Mr Marcos Aguiar, Brazil's chief negotiator. "The real problem is with biotechnology." Brazil, and other developing countries, complain that multinational pharmaceutical groups use substances such as snake venoms and tree barks found in Brazil without having to pay royalties. The companies can then sell the drugs on the Brazilian market.

Differences over who should bear the cost of protecting the world's resources, and how profits for exploitation should be shared, led to an impasse in the Nairobi negotiations.

The final document was watered down in the view of non-governmental organisations, and lacked specific commitments on both sides.

While developing countries believe

that the issue of biotechnology transfer has not been clarified as much as they would hope, some countries – such as US, France and Japan – are threatening not to sign the convention because they would like tighter commitments on conservation from developing countries and more protection for their own pharmaceutical companies.

Included in the convention is the need for countries to make inventories of their ecosystems and for the interim use of the Global Environment Facility, administered by the World Bank, to fund the programme.

In the convention's current form, the door is left open for the patenting of genetic material by developing countries.

## Suppose the Americans hold an election and nobody wins

IT IS STILL only the Washington parlour game of the month and it is still played more with amusement than with real intent. But since life and

art are now patently indis-

tingible, as Vice-President Dan Quayle was merely the last to demonstrate last week, the current fascination with what might happen if no-one wins an outright victory in the presidential election in November might just return to haunt the country.

The starting point, at which \$200 is collected, is the constitutional technicality that the presidency is won not by popular assent but through an overall majority of the 538 members of the Electoral College. This is an anonymous group chosen according to state size, whose only task has been to ratify in December the previous month's election. All but Maine and Nebraska instruct their electors to award all the state's college votes to whichever candidate carries the state, irrespective of by what margin.

If no candidate gets the minimum 270 college votes needed for outright victory, the 12th amendment to the constitution applies, under which the newly elected House of Representatives convenes in January to choose the next president from among the top three finishers in the electoral college: this last happened in 1824. Simultaneously the new Senate gets together to choose the next vice-president from the top two running-mates.

The catch is that, although the 100 Senators (two from each state) cast individual votes, the House must decide on a one-vote-per-state basis.

This puts Vermont, which has

one congressman and a

socialist to boot, on a par with California, which has 52.

According to one lovely calcu-

lation by Lloyd Cutler, lawyer

extraordinaire and White

House counsel under President Jimmy Carter, this could mean that the 26 least populous states, with only 16 per cent of the national total, will be president who will be president.

On balance this system would currently appear to favour the Democrats, who have a majority in 31 of the House delegations, compared to only 10 for the Republicans, with the rest evenly divided and Mr Bernie Sanders representing Vermont, assuming his re-election. But there could be a wholesale shake-up in November, even though the disappearance of both Democratic majorities may be unlikely.

However, nobody knows

under what rules House state

caucuses would determine who gets the single vote (simple

majority, absolute majority,

plurality?) or whether indeed common rules would apply to all the states. Even if they did, that might not help a state like

Maine, which currently has

one Democratic congressman and one Republican, neither of whom might want to give way.

Mr Norman Ornstein, of the

American Enterprise Institute,

has pointed up the extreme dif-

iculty that individual

congressmen could face. "What

" he wrote in *The New York Times*, "your district went for

Independent Perot than to the

Republican Bush, regardless of

who held the lead.

One of Mr Cristoforo's scenari-

os posits a House deadlock,

has Senator Bill Bradley of

New Jersey as Mr Clinton's

## CANARY WHARF: WHAT NOW FOR THE DOCKLANDS

## Political line raises hopes

By David Owen

THE FINANCIAL collapse of Canary Wharf does not necessarily spell the end of the Jubilee Line underground extension or the government's plan to move civil servants to a Docklands site.

In spite of the government's insistence that there was no prospect of a publicly funded rescue to bail out the development, the message emerging yesterday from Westminster's corridors was more hopeful.

The calculation behind it was informed both by hardened pragmatism and an assessment of the political fall-

out that any decision will bring in its wake.

On the Jubilee Line the government has repeatedly emphasised that the extension would not be built without the £400m private-sector contribution that Olympia & York had promised to put up.

Although that remains the position, the hurdle is not as formidable as it at first appears. Only £100m of the money is due while the extension is being built. The balance does not even begin being paid until after completion, with instalments stretching more than two decades into the future. On that basis, the effective present value of the £300m

shrinks towards insignificance. If the failure to lure private money leads to the extension's being scrapped, the government may face charges of cutting off its nose to spite its face.

In terms of political capital, however, the government has a huge amount staked in Docklands' success. It might receive as much flak for deciding not to proceed with the extension — hence placing a question mark over its future urban regeneration policies — as for keeping in a relatively small amount of additional money. A cross-party early day motion calling for a parliamentary inquiry to reassess future poli-

cy in this area reinforces that impression.

Such considerations will strengthen the hand of those within the cabinet, such as Mr Michael Heseltine, trade and industry secretary, who may be expected to lead calls against fierce Treasury opposition, for an active role in preserving confidence.

Mr Michael Howard, environment secretary, confirmed yesterday to reinforce the tough government line towards new public money while expressing confidence the extension would be built. In terms of relocating civil servants, the government faces a fait accompli in that the Marsham Street premises

housing thousands of Environment Department and Department of Transport officials are to be vacated.

As Mr Howard admits, there are strong arguments for moving to Docklands. The department had been advised that "the best value for money currently available" was in the area, he said yesterday.

The prospect of Department of Transport employees being moved to the development does appear somewhat diminished, however, after the instigation of an internal review into how many Marsham Street staff should remain in London. Some 1,300 transport employees are to be relocated.

## A body blow to plans for east London

By Vanessa Houlder and Andrew Adonis

CANARY WHARF'S failure and increased uncertainty over the Jubilee Line extension may deal a blow to plans to develop east London.

Private-sector investment and improved transport play a critical part in the government's ambitions plans to develop the east Thames corridor, an area stretching from the London Docks through Essex and north Kent.

Although it is the only area capable of substantial growth in the overcrowded south-east, its development will involve reversing decades of decline created by its physical isolation, the run-down of its maritime-based industries and the age-old gravitation of wealth to the west of the City.

Hiller Parker, a firm of chartered surveyors, believes that extending the London Underground's Jubilee Line would greatly enhance the development opportunities of at least 17 sites covering a total of 1,000 acres. The firm estimates that the value of the land would exceed £10bn if it were developed.

Prospects of developing those sites, which have already been set back by the commercial property decline, might be pushed back indefinitely by delays in the improvement of transport links. "Transport links are crucial in terms of development land," says Mr Paul Woods, a planner at Hillier Parker.

The largest sites that would benefit from the Jubilee Line extension are Canary Wharf itself; a 263-acre development on land belonging to British Gas on the Greenwich Peninsula, for which a mixed retail, commercial and residential (5,856 homes) scheme is planned; a 180-acre site at Victoria Dock; and a 240-acre site at Stratford railway.

There appears to be no immediate threat to the last three of those. British Gas — which is to contribute about £25m to the Jubilee Line — described the threat to the Underground extension as "a bit of a hiccup", but it still intends to proceed with its planning application, which envisages an Underground link at North Greenwich for the development's last phase in 1997.

More concerned are the local councils immediately affected — Southwark, Greenwich, Tower Hamlets and Newham — which fear for the prospects of future development.

The difficulties encountered by Dockland's developers, coupled with the overall slump in the commercial property industry, is likely to deter future investors.

Attempts to attract developers to the Royal Docks, the huge expanse of land to the east of the Isle of Dogs, have met little interest.

The London Docklands Development Corporation, the government-funded body set up to oversee the area's regeneration, remains hopeful that the Jubilee Line extension will go ahead.

Mr Eric Sorensen, chief executive, emphasised the importance of the line in creating additional river crossings and opening up Rotherhithe and Deptford.

But even without the extension, the area's road and light railway transport was improving sharply, he said. "We hope by the final completion of the road network plus a reliable railway, we will maintain the momentum of the area."

## Property resists tremor

By Vanessa Houlder, Property Correspondent

CANARY WHARF'S insolvency has severely dented the already battered image of London's property industry. The bank's decision not to support the project is a striking vote of no confidence in the property market's future over the next ten years.

Nonetheless, the consequences for the London property market may be rather less dramatic than feared.

Although the market's reputation among banks and investors has been severely tarnished by Olympia & York's problems, these have been apparent for many months.

As a result, shares in property company which were knocked sharply when the scale of O&Y's problems first became known in the spring, were little moved yesterday.

Canary Wharf's problems could even have a beneficial effect on the market in the rest

of London. If Canary Wharf is no longer seen as a rival to the West End and the City, the position of Central London landlords may improve.

"The impact could be quite positive in six to twelve months time if the Jubilee Line is not built and tenants start moving back to the City," says Mr Graham Stanley of County NatWest, the brokers.

Canary Wharf's move into administration has large implications for tenants who have not yet moved into the project. Only 11 per cent of the buildings are occupied, although leases have been signed on 57 per cent of the space.

The problem is that the costs of the incentives offered to tenants such as fitting out buildings and taking on the space left vacant in central London exceed the costs of the old space it occupies in Central London — in particular the 240,000 sq ft of space let by its Shearson Lehman subsidiary in Broadgate in the City. The administrators could decide to seek to cancel American Express's lease at Canary Wharf to limit the costs of paying rent of about £40 per sq ft on the take-back space.

American Express decline to comment, except to say that it is monitoring events carefully.

The costs of rents and rates on Canary Wharf tenants' old

space is likely to exceed £20m a year. O&Y took responsibility for about 500,000 sq ft of tenants' second-hand space at a time when it expected to be able to relet the property.

Apart from American Express, the companies that had most space taken back by O&Y are thought to be KPMG Peat Marwick, for which O&Y took back 60,000 sq ft in Queen Victoria Street, Fleet Street and Stamford Street and Manufacturers Hanover Trust, for which O&Y also took back 40,000 sq ft at 7 Princess Street.

If some of these tenants returned to Central London and others were deterred from taking space in the Docklands, it would have a beneficial effect on the core London office market. But the impact should not be overstated. The Docklands accounts for just 4.1m sq ft of empty space out of 54m sq ft in Central London, according to a survey published by Debenham Tewson & Chinneys.



Ashley Ashwood

Into the darkness: the shooting star of private enterprise that exploded into insolvency

## Why the banks ran out of patience

By Robert Peston

A BOMB WENT off in the heart of London's Docklands when the companies that own Canary Wharf, Europe's biggest new office development, went into administration under UK insolvency procedures.

Creditors and tenants were yesterday trying to predict the damage from the initial impact and its aftershock. Bank creditors face losses of £600m on that project alone. But if the price of adjacent properties fall sharply, the financial carnage may be much worse.

The project's 11 leading bank creditors make no attempt to absolve themselves from responsibility for causing the explosion.

At mid afternoon on Wednesday, in the offices of Allen & Overy in the City of London's Cheapside, they decided they would no longer finance the

project as a going concern. In the circumstances, there were only three alternatives: liquidation, receivership or administration. They opted for the route that gives Canary Wharf a vestigial chance of being "brought back to life", in the words of Mr Michael Dennis, a director of O&Y Developments, the owners of the Canary Wharf companies.

However, some of Canary Wharf's bankers believe the UK government is partly to blame. "The government's silence cratered the project," one of the lenders to Canary Wharf said yesterday.

What that banker meant was that the banks wanted the government to make a public commitment to take space for civil servants at Canary Wharf. The Department of the Environment, the Department of Transport and the Department of Trade and Industry have all

been in talks about renting hundreds of thousands of square feet. The Environment Department in particular is at an advanced stage of negotiations on taking 400,000 sq ft for 2,000 civil servants.

The banks believed a government commitment of this sort would have been a sign to other prospective tenants of the government's commitment to press ahead with the redevelopment of Docklands and it would have lifted the overall occupancy rate at Canary Wharf from 50 per cent to 70 per cent — close to the level at which it would be possible to find new outside sources of finance for individual buildings.

Yet although the government is keen that the regeneration of Docklands should succeed, it is anxious not to appear to be giving subsidies to a private-sector project.

So over the past week, the banks and the government began a game of cat and mouse, with Mr Pen Kent, an associate director of the Bank of England, trying to translate the meows and squeaks into a common language.

The prime minister, Mr John Major, appointed Mr John Wakeham, the lord privy seal, to co-ordinate all government negotiations with Canary Wharf. Last week, Lord Wakeham told Mr Kent that the government was thinking very hard about moving to Docklands.

Mr Kent duly relayed that to the 11 banks: Barclays and Lloyds from the UK; Canadian Imperial Bank of Commerce, Royal Bank of Canada and National Bank of Canada; Commerzbank from Germany; Crédit Lyonnais of France; Crédit Suisse of Switzerland; Kansallis-Osake Pankki of Finland

and, from the US, Citibank and Manufacturers Hanover. But the government's good intentions were not good enough for the banks. Although they understood that the government would need time before it could sign heads of agreement to take the space, they still wanted the public statement that it intended to go to

Canary Wharf.

Two days ago, Mr Kent then delivered that message to Lord Wakeham. The government felt it could not comply. It sent another coded message that it would take space — but it could not give a firm commitment to do so unless the banks had first agreed to provide sufficient funds to keep Canary Wharf going.

The government could not understand why the banks should insist on embarrassing it by forcing it to make a public statement before the banks provided the requisite funds. Anyway, some ministers did not believe the banks would had the plug — surely the banks had too much to lose.

Lord Wakeham was to see the banks on Wednesday to explain in person. Shortly after 2pm on that day, though, it became clear to the banks at their meeting that there was no possibility of their reaching an unanimous agreement on providing the £500m of new banking facilities that Canary Wharf needed. Unanimity was a condition of the rescue plan going ahead and only four banks — Crédit Suisse, Citibank, KOP and Crédit Lyonnais — were strongly in favour of providing the new money.

In the event, Lord Wakeham was told not to bother to come to the bankers' meeting. Instead, he alerted Mr Major to the imminent explosion.

## Family's £1.6bn hole in the ground

By Bernard Simon in Toronto

CANARY WHARF has been a huge drain over the past four years both on Olympia & York Developments and on its owners, the Reichmann family.

O&Y was so strong when it became involved in Docklands that the Reichmanns decided to finance the project without partners and without prearranged bank finance.

Since 1988, O&Y has ploughed US\$5bn (£1.6bn) of its own money into the project.

It leveraged many of its properties in the US and Canada to provide the funds for development of Canary Wharf, thereby heightening the risk to the entire company if the Docklands gamble failed to pay off.

A growing chunk of income from the north American properties had to be funnelled across the Atlantic as revenue continued to fall short.

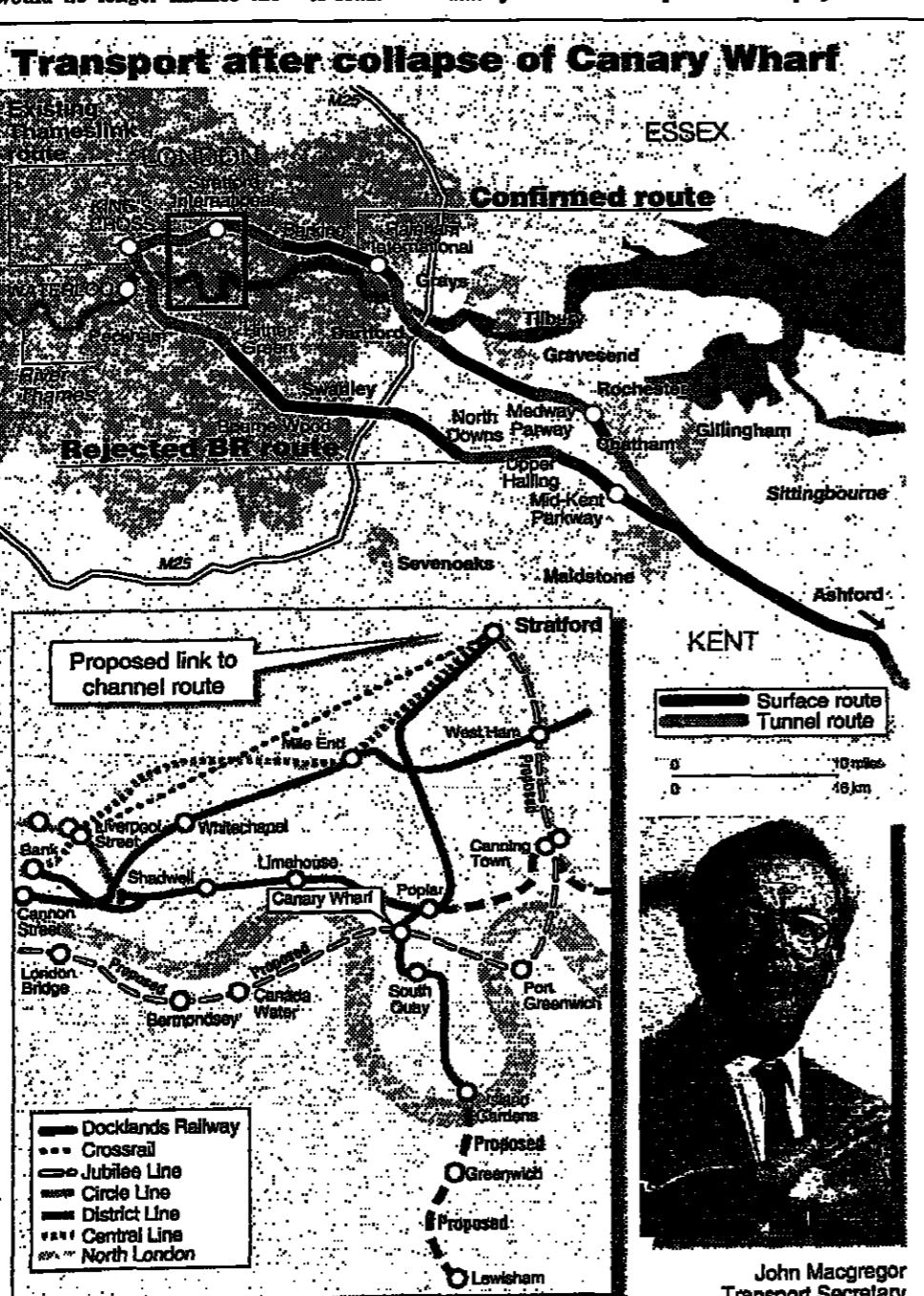
Mr Paul Reichmann, the family's master strategist, has always had a special affection for Canary Wharf. He has taken a close personal interest in even the smallest details of its construction, and remained unshakably confident in its eventual success.

Even as O&Y's difficulties surfaced two months ago, it appeared that Mr Reichmann would spend more of his time in London, seeking badly needed tenants for the project and overseeing construction work.

Yet the cash demands of Canary Wharf, together with O&Y's inability to repay holders of short-term securities issued to refinance one of the Toronto buildings, precipitated the liquidity shortfall that has now led the Canadian parent and Canary Wharf to seek court protection from their creditors.

The Reichmanns have never disclosed details of their own financial position, but it appears that the bulk of their vast wealth is tied up in O&Y. Among the few exceptions are Olympia Tile, the business that spawned O&Y in the early 1980s and which is now one of north America's biggest floor-covering distributors. The family also owns a few smallish buildings separately from O&Y.

Mr Paul Reichmann is working hard behind the scenes to try to dig the family firm out of the deep hole it now finds itself in. But his older brother, Albert, as well as other members of the family and their close-knit circle of confidantes have been largely sidelined by the fast-moving events of recent weeks.



## High-speed link is stopped in its tracks

Richard Tomkins finds Docklands no longer a dream destination

controversy over the route.

After the rejection of two previous proposals for the line's construction — one by BR alone and one by a consortium of BR and the private sector — BR last year came up with its definitive plan for a line that would help to pay for itself by providing capacity for high-speed commuter trains as well as the Channel tunnel express.

In what Sir Bob Reid, BR chairman, described in an unguarded moment as a "panorama", the plans were thrown out by the government in favour of an eastern approach proposed by Ove Arup, the consulting engineers, and strongly advocated by Mr Michael Heseltine, then transport secretary.

The result may be that the construction of the line will be further delayed until well into the next century. It may also raise fears in south London that the original BR proposals for a southern approach might be re-adopted.

BR has been trying since 1987 to win government permission to build a new, faster line to the Kent coast to provide extra capacity for Channel tunnels. However, its plans have been stymied by a combination of Treasury objections to the cost and the political will serve.

The government dismissed such criticisms, claiming that the potential for the line lay in the development gains from



John Macgregor, Transport Secretary

## NEWS: UK

## Life companies win concessions on new reforms

By John Authers

THE Securities and Investments Board, Britain's chief investment watchdog, yesterday announced new concessions to the life insurance industry.

But the conclusions to the SIB's 13-month review of disclosure and standards of advice for investment companies will still, if enacted, administer a rigorous shake-up to the UK's life insurance and investment industry.

Subject to government consent, the SIB proposals will be enacted by the end of this year. Insurance companies would then be given a two-year transitional period to implement most of the changes.

Two changes have been made since its last consultative document was published in March:

- For endowment policies, the SIB will no longer require product providers to reveal the "break-even year" at which the proceeds investors would receive on surrendering the premiums they had already paid in. On some 25-year policies, this point may not come for ten years.

- The "reduction in policy proceeds" which companies were required to publish as an

illustration of the effect of costs on investment returns from life policies may now be renamed the "reduction in benefits".

The SIB has also dropped plans to force companies to use their own charges in projected illustrations of future performance, and to force independent intermediaries to disclose the commission they receive at the point of sale.

It felt that independent intermediaries would be put at a disadvantage if they were forced to reveal commissions and directly employed sales agents did not.

The Consumers Association, however, has expressed concern over the plans. A spokesman said: "We don't agree with the SIB on commission disclosure. They are more concerned to protect the independent sector than with protecting investors, and we very much hope OFT will step in." It was also concerned by the lengthy transitional period which companies have been allowed.

The Association of British Insurers has welcomed the proposals and the transitional period, which it said would reduce expenses for investors.

But it is dissatisfied with the proposals for disclosure of costs, which it said could cause confusion.

## Value of air freight grows by two thirds

THE VALUE of UK international air freight grew by two-thirds between 1980 and 1990 to £43.7bn a year, accounting for almost one fifth of UK international trade, according to a report from the Department of Transport published yesterday. Scheduled airlines increased their grip on the market, writes Daniel Green.

London's airports handled 90 per cent of UK international airfreight in 1990, little changed since 1980. However, the percentage handled at

Heathrow fell from 70 to 62 per cent, while other London airports increased from 19 to 26 per cent.

In 1990, UK international airfreight made up less than 0.5 per cent of total UK international trade by weight. Three-quarters of international airfreight was carried on scheduled passenger services - up from half in 1980.

Airfreight with the US accounted for the highest percentage of the total in 1990, both by weight and by value.

## Deficit halts motor industry revival

By Kevin Done, Motor Industry Correspondent

The UK motor industry trade balance fell back into deficit in the first quarter of 1992, bringing an abrupt halt to the improvement achieved during the deep recession in UK new vehicle sales.

In the last three months of 1991, the motor industry achieved its first quarterly trade surplus since the early 1980s with a surplus of £121m.

According to figures released yesterday by the Society of Motor Manufacturers and Traders (SMMT) the motor industry accumulated a trade

deficit of £532m in the first quarter of 1992, however, compared with a deficit of £341m in the same period a year ago.

The sudden deterioration in the sector's trade balance is a further sign that the prolonged UK recession could be ending, as imports have again begun to rise faster than exports.

The performance of the motor industry is a large factor in the development of the overall UK trade balance, and as domestic demand for new vehicles picks up the deficit is expected to grow.

The motor industry trade balance has been in deficit every year since 1982, but last

year's deficit at £1bn was the lowest for nine years and showed a sharp fall from £4.6bn in 1989 and a peak deficit of £6.6bn in 1988.

The rapid improvement in the last two years was driven both by the recession, which sharply depressed imports of new cars and commercial vehicles, and by the industry's strong car export performance.

The big growth in exports has come to an end, however, and imports are rising again.

According to the SMMT the value of imported automotive products rose by 12 per cent year-on-year to £3.3bn in the first quarter, while export

earnings rose by only 6 per cent to £2.3bn.

The value of car imports jumped by 13 per cent in the first quarter to £1.6bn, while the value of car exports rose by only 3 per cent to £987m.

The growth in the value of imports of auto parts and accessories, which started in the second half of last year, accelerated in the first quarter with a jump of 11 per cent to more than £1.4bn. Exports of parts and accessories also rose strongly by 10 per cent to £1.2bn and accounted for almost 45 per cent of total UK motor industry exports in the first quarter.



**Surf'n'NRA:** The National Rivers Authority is using surfers to collect samples for a seawater survey in south west England. Surfers including Mark McMaster, pictured at work in Croyde Bay, north Devon, have been employed by the NRA for the tests in 100 resorts. The move follows a separate survey published this week by the Tidy Britain Group which said 14 UK beaches failed to meet new environmental and safety standards.

## Services earn £117bn in export trade

By David Dodwell, World Trade Editor

BRITAIN earned £117bn in 1991 from the export of invisible services, significantly more than visible exports of £104.8bn - and second only to the US, according to a report published yesterday by the Department of Trade and Industry.

The report says 40 per cent of Britain's total output is now

accounted for by invisible, or tradeable services such as tourism and insurance. The fastest growing areas include information transfer and transport services.

It says the creation of the single market in Europe, and international recognition of a number of professional qualifications has also boosted invisible trade. At the same time,

cally the UK depends on the successful conclusion of the Uruguay Round of world trade talks, which would include for the first time an agreement on multilateral rules for the liberalisation of trade in services.

The world trade in invisibles was estimated to be more than £750bn in 1991, with the UK accounting for about 14 per cent of the total. In 1990 the UK was second only to the US,

with Japan, France and Germany falling into third, fourth and fifth places.

Small British firms have

been particularly active in

invisibles trade, according to the DTI. "Smaller firms have

found that large turnover and

staffing levels are not a pre-

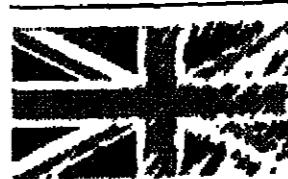
requisite for success, and many

have been gratified to find that

the international business lan-

guage in services is English."

## Britain in brief



### BSkyB likely to win rights to FA Cup

British Sky Broadcasting is likely to win five-year rights to show live matches in the FA Cup, the country's leading soccer tournament, as well as home fixtures involving the national side and games in the new Premier League.

BBC and BSkyB, before it merged with Sky, signed a four year deal worth £20m with the FA. The deal which gives the BBC the right to show one live FA Cup match for every round plus the semi-finals and final has one more year to run.

The two broadcasting organisations, under the terms of the original agreement have the right to first negotiations for a renewal of the contract. It is believed that BSkyB, a venture in which Pearson, owners of the Financial Times has a stake, and the BBC have an agreement in principle for a renewal.

### Former Paribas trader cleared

A former UK head of principal trading and sales with Banque Paribas has been cleared on the directions of a judge at the Old Bailey of involvement in an alleged insider dealing network. Mr Keith Tondre had denied a charge of unlawfully dealing in the shares of Pleasurama, the leisure group, in advance of an announcement of a bid for the company by Mecca Leisure in 1988. The charge was one of seven against Mr Tondre relating to Pleasurama on which judge Bruce Laughland QC directed the jury to acquit.

### Opera House to be refurbished

The Royal Opera House in London has confirmed that it

is to close for three years in 1997 for a £250m refurbishment programme. An appeal is being launched to find £60m - the rest will come from a shops and offices development.

Redevelopment of the 1882 listed building is planned to improve backstage and front-of-house facilities and bring the Royal Ballet on site.

### Deal sought on car converters

Government and motor industry officials are negotiating the details of a programme under which cars not fitted with catalytic converters which are still in the supply pipeline after January 1 next year can be sold without breaking EC exhaust emissions rules.

EC environment ministers have accepted the principle of a "reasonable" period for such sales after January 1, when an EC directive requiring every new car registered to be fitted with a "cat" goes into effect.

The UK scheme currently being negotiated provides for a cut-off date for the manufacture of "non-cat" cars.

**Fury at Ulster tour promotion**  
Tourist officials in Northern Ireland found they had promoted fury as well as holiday-making after suggesting that iniquities about the conflict between Protestants and Catholics could be a selling point for the province.

The listing by the Northern Ireland Tourist Board of the "curious factor" as an important strength in the province was condemned by political leaders and business.

Tourist board officials hurriedly made clear that its three-year corporate plan would emphasise the need for an increasing understanding about the "troubles".

### Oil output recovers

North Sea oil output staged a healthy recovery in April, according to the Royal Bank of Scotland's Oil Index, prompting the hope of improvement in the UK's net balance of payments figures. Output rose by 4.5 per cent in an average of 1.6m barrels per day.

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# Digest of Easter Term cases

## DENNEY v JOHN HUDSON & CO LTD (FT, May 8)

In the instant case, the creditor made deliveries of diesel oil to the company both before and after the petition for compulsory winding up. The liquidator sought a declaration that payments for the deliveries were void under section 582 of the Companies Act 1985 and section 127 of the Insolvency Act 1986 which provided that "...any disposition of the company's property...made after the commencement of the winding-up, unless the court otherwise orders, is void". Dismissing the liquidator's appeal from a decision that the payments made after presentation of the petition were valid, the Court of Appeal stated that the parties were acting in accordance with their normal and established course of business. Under its standing arrangement, the company received a benefit in that it could order a supply of fuel oil for which payment was deferred until the next supply was required. The supplies enabled the business to be carried on and earn revenue and the court could reasonably assume that what was for the benefit of the company would be for the benefit of the general body of creditors. Thus it was not a situation in which one pre-liquidation creditor was being preferred to the others.

## LEWIS & PEAT (PREDUCE) LTD AND OTHERS v ALMATA PROPERTIES LTD AND OTHERS (FT, May 15)

Lewis & Peat obtained judgment against three defendants and sought to execute that judgment. Its attempts resulted in court orders which included a garnishee order nisi against Midland, and injunctions restraining Midland from dealing with the proceeds of sale of two cargoes of cocoa and coffee beans after collection of the sale proceeds by Midland. Mr Justice Gatehouse set aside the garnishee proceedings and discharged the injunctions against Midland, declaring that Midland was free to deal with the proceeds of sale in accordance with the instructions of its customer, the National Development Bank of Sierra Leone (NDB); and that NDB was free to give such instructions as it might see fit, including instructions to transfer the monies out of the jurisdiction. Lewis & Peat sought to set aside discharge of the injunctions, and the declaration. Dismissing the appeal, the Court of Appeal stated that it was of the first importance that routine banking transactions such as these should not be subject to interference by the Mareva jurisdiction, except where an exceptionally strong case had been made out to set aside well-settled principles of banking law.

## LAWSON (HM INSPECTOR OF TAXES) v JOHNSON MATTHEY PLC (FT, May 20)

Johnson Matthey owned all the shares in Johnson Matthey Bankers (JMB) which became unable to pay its debts. It was realised that if JMB could not open for business, Johnson Matthey itself could not continue to trade. It therefore agreed to sell the JMB shares to the Bank of England for £1 and to contribute £50m to JMB's resources. It now sought to deduct that sum in the computation of its profits as a revenue and not as a capital expenditure under section 74 of the Income and Corporation Taxes Act 1988. At first instance and in the Court of Appeal, it was held that the £50m was paid to get rid of the shares and so was a capital expenditure. Allowing Johnson Matthey's appeal, the House of Lords stated that, in the light of the authorities, it was attributable to capital whereas if paid to remove the threat posed by

## BACHCHAN v INDIA ROAD PUBLICATIONS INC (FT, May 14)

The plaintiff was successful in a libel action and obtained judgment for damages in London against a journal, India Abroad, for an edition which

had been printed and distributed in the UK by a subsidiary. He sought to enforce the judgment in New York where India Abroad had also published the libel. However, giving judgment for the defendant in New York, the judge stated that the protection of free speech and the press would be seriously jeopardised by entry of foreign libel judgments, granted pursuant to standards deemed appropriate in the UK, but considered antithetical to the protection afforded to the press by the US Constitution.

## LEWIS & PEAT (PREDUCE) LTD AND OTHERS v ALMATA PROPERTIES LTD AND OTHERS (FT, May 15)

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Aviva Golden

Much the same as you no doubt.

Judy Dempsey returns from Chelyabinsk with a moving story of life in a Russian hospital.

Christian Tyler asks Sir Crispin Tickell what qualifies a former classic scholar to explain how science could tackle the world's environmental problems. The answer is robust.

Scheherazade Daneshkhu finds out whether investing in Green funds is good for the pocket as well as the soul.

## What is the FT getting up to this Weekend?

Michael Thompson-Noel runs Derby day back-wards and pockets his losses with confident anticipation.

Cooking? FT writers take courses in how to do it better.

Nicholas Woodsworth, traveller extraordinary, reveals the secret of buying expedition clothes which make a man for all occasions.

Robin Lane Fox subjects an unprecedented gardening season to philosophical analysis.

And so it goes on...

Weekend FT  
Saturday May 30

## GLASGOW

The FT proposes to publish this survey on June 25 1992. From its print centres in Tokyo, New York, Frankfurt, Roubaix and London. It will be read by senior business and government officials in 160 countries worldwide. It will also be of particular interest to the 130,000 directors and managers in the U.K. who read the weekday FT. If I want to reach this important audience with your services, expertise or products whilst maintaining a high profile in connection with Scotland call Kenneth Swan on 031 220 1199 or Fax: 031 220 1578 37 George Street, Edinburgh EH2 2HN

Data source: BMRC Businessman Survey 1990

FT SURVEYS

## P&O expands into Asian waters

Ian Mullen, a 44-year-old merchant banker, has been hired by P&O to spearhead its expansion in Asia. A Scot who has spent 13 years in Hong Kong, Mullen has been appointed executive director of the newly-established P&O Asia which is based in Hong Kong.

Although P&O has long historical ties with Hong Kong - Thomas Sutherland, one of P&O's more famous chairmen, founded the Hongkong and Shanghai Bank - it is under-invested in the area. Last year P&O's stock was

listed on the Hong Kong stock exchange and P&O chairman Lord Sterling, who will also be chairman of the new Hong Kong-based company, has given Mullen the job of getting P&O more heavily involved in the fast-growing economies of the region.

Mullen, a former director of Midland Montagu where he was responsible for the parent bank's £20bn UK corporate banking portfolio, plans to expand by a combination of organic growth and non-hostile acquisitions. P&O Asia will have offices in Singapore.

Indonesia, Malaysia and Japan. Before joining Midland Bank in 1984 as the Hong Kong-based regional head of corporate banking, Mullen had been a shipping adviser with the Hong Kong Bank. A graduate of Edinburgh University, he began his career in shipping in Shetland with Hay and Company and in Italy and the Far East with Mollers Group.

The other members of the new P&O Asia board are Brian Ballie, executive deputy chairman, Bruce MacPhail, Sir Frank Lampi, Tim Harris, and Richard Hein.

York-based mergers and acquisitions firm.

■ Sir Alex Jarratt, 68, succeeds Trevor Holdsworth as a deputy chairman at the PRUDENTIAL CORPORATION, the UK's largest life insurance and financial services group. Sir Alex, a former chairman of Reed International, is resuming a position he has already occupied between 1987 and 1991. He is a director of Smiths Industries and chancellor of the University of Birmingham and has been a director of the Prudential since 1985.

Three non-executive directors Lord Hunt, Lord Butterfield and Julius Neave have retired from the board.

■ Paul Fletcher, previously md of Holman Wade, and Jamie Hay, previously a director of Oakwood Underwriting Agency, have been appointed directors of CASSIDY DAVIS MEMBERS AGENCY.

■ John Clayton has been appointed company secretary of GUARDIAN ROYAL EXCHANGE on the retirement of John Evans.

■ John Bacon, John Howard, Bob Murrell, and Geoff Sherman have been appointed directors of RICHARDS, LONGSTAFF (INSURANCE); Bill Wright is appointed a director of its estates and private clients division, and Chris Allen a director of its special risks division.

■ Diethard Breipohl has resigned from the Cornhill board because of additional commitments within the Allianz Group; Alexander Hoyos, a member of the executive board of Allianz Versicherungen, has been appointed to the board of CORNHILL INSURANCE.

■ Paul Little has been promoted to deputy md of LOWNDES LAMBERT CARGO.

## PEOPLE



BANKSIDE Underwriting is the latest Lloyd's agency group to look outside the Lloyd's insurance market for its new chief executive; it appointed a banker and stockbroker, Angus Scrimgeour (above) last week.

■ Scrimgeour, 47, joins Bankside after a spell with Henry Cooke Group, the stockbroker and financial services group, where he was deputy chairman.

■ Michael Chambers has been appointed development director of CULLENS.

Moody who is leaving.

■ Paul Mason has been appointed director of logistics at B&Q.

■ Michael Chambers has been appointed development director of CULLENS.

■ Gerry Orbell (above left), previously director of exploration for Fina Exploration, part of Petrofina, has been appointed to the board as director of exploration at PREMIER CONSOLIDATED OILFIELDS.

■ Bob Andrews (above right), formerly group company secretary of Aegis, has been appointed group company secretary of BOOKER.

■ Richard Read has been promoted to chief executive of LORNE STEWART, a BET plant services company.

■ Lionel Moore has been appointed finance director and company secretary of RADAMEC GROUP on the resignation of Clive Lewis.

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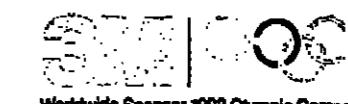
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## THE PROPERTY MARKET

**C**anary Wharf's plunge into administration stems in part from the UK government's dithering over whether to relocate its civil servants to the 4.5m sq ft development in the London Docklands.

The delay is more than just an illustration of the slow pace of government decision-making. The Conservative government, which faces considerable embarrassment over the plight of the Docklands because of its strong ideological and fiscal support for the region, has been anxious not to appear to be bailing out a bankrupt developer. For the government, the need to obtain value-for-money in its choice of office space for Whitehall-based civil servants has been all important, prompting a careful consideration of other potential accommodation in the Docklands.

Two weeks ago Sir Terence Healeys, permanent secretary at the Department of the Environment, and a score of his most senior civil servants went on a tour of the Docklands in search of offices to house some 2,000 civil servants.

The senior civil servants' visit underlined one of the most remarkable features about the parlous state of Docklands: the abundance of empty, modern buildings that are large enough to accommodate an entire government department.

There are three premises - besides Canary Wharf - on the civil servants' list of potential new homes for Department of Environment staff. All are large, audacious schemes.

In the middle of the Isle of Dogs, the half-empty Harbour Exchange is a 1m sq ft behemoth of dark, mirrored glass. East India Dock, on the eastern edge of the enterprise zone, is a light, neat edifice totalling 600,000 sq ft. Thomas More Square,

a pale elegant structure on the western fringe of Docklands, contains 550,000 sq ft of space of which 50,000 sq ft has been let.

Three out of the four schemes have been built by non-UK developers - as good a sign as any of overseas developers' more adventurous outlook towards the Docklands.

East India Dock was developed by the Swedish partnership of NCC and SFP. Thomas More Square was built by Skanska, the Swedish developers. Canary Wharf is, of course, the work of Olympia & York, the Canadian developer which has sought protection from its creditors.

Harbour Exchange has been built by Charter Group, a private UK property company, which was once one of the most successful Docklands developers, although it has recently run into difficulties. Like O&Y, Charter Group was admired by Mrs Margaret Thatcher, former UK prime minister, who wrote the foreword to one of its marketing publications.

The claims made by the developers are depressingly interchangeable: "A magnificent building with facilities unmatched in London"; "an unrivaled modern office scheme"; "the quality of the buildings surpasses that of any other office accommodation in the capital."

Most property experts undoubtedly believe the quality of the Canary Wharf buildings is a cut above other Docklands competitors. And Canary Wharf is likely to be favoured by the government in its final selection of a new home for Department of Environment civil servants if a deal is struck with O&Y's bankers over the Jubilee Line extension. Whichever of the quartet is selected, the new premises would be a huge improvement on the crumbling bulk of the Department of the Environment's current offices at Marsham Street in Victoria.

The four buildings' location and facilities differ substantially. East India Dock is surrounded by traffic, a housing estate and the Financial



Waiting for tenants: Thomas More Square in the Docklands

Times' printing plant. Both Canary Wharf and Harbour Exchange are in the heart of the Isle of Dogs with a reasonable selection of shops nearby. Thomas More Square, to the east of St Katherine's Dock by the City, is 10 minutes walk to the nearest tube station.

The government has said that its final decision will rest on value for money. Canary Wharf's owners are believed to be asking £15 per sq ft; the government has been offering only £13 per sq ft. O&Y's move into administration could lower asking rents in the area still further.

Arriving at a swift decision over

the Department of Environment's new home has been a prime concern for the government. However, Knight Frank & Rutley, the government's adviser, has argued it needs more detailed negotiations before it can come to a conclusion over which is the most suitable site.

Yet the decision to move to the Docklands is by no means cut and dried. Certainly, the outcome is likely to be jeopardised by the cancellation of the Jubilee Line extension, following O&Y's move into administration.

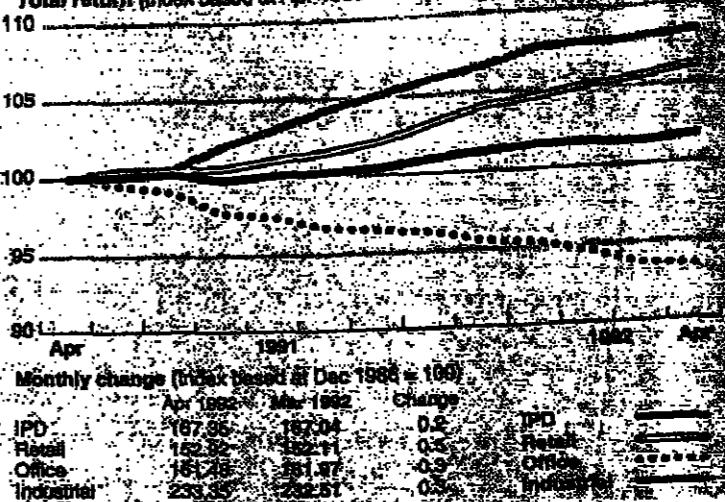
One alternative for the government would be to consider using those central London premises made vacant by the relocation of civil servants from other departments. "There is a possibility that the government could take the option of using the existing government estate," says Mr Michael Soames of Knight Frank & Rutley.

The Department of Transport, which shares the Marsham Street premises with the Department of Environment, is undertaking separate reviews of its relocation needs and is thought to be unwilling to make any rapid decision to move staff to the Docklands.

Civil servants would welcome any proposal that avoids the Docklands. Many staff are incensed by the prospect of being sent to an area that has been largely spurned by the private sector. The civil servants' unions are seriously concerned about the impact on staff of splitting up the department, longer journeys to work and the relative shortage of facilities in the Docklands.

"The effect on staff morale will be devastating," says Mr John Rouse of the First Division Association. Mr John Delaney of the National Union of Civil and Public Servants goes further. "It could well lead to industrial action," he says.

**IPD monthly index**  
Total return (index based at Apr. 1981 = 100)



**Signs of stability**

**T**he commercial property market is showing some signs of stabilising, according to the April figures from the Investment Property Database, an independent research group.

Property yields remained static at an all-time high of 9.7 per cent and the total return for the month was positive at 0.2 per cent. This indicates that high income returns are countering the negative impact of capital value decline.

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cent. In spite of a slight recovery in its long term performance, the office sector continues to depress all property returns with a negative impact of -1.4 per cent.

The return from the retail sector of 0.5 per cent outperformed that of 0.3 per cent for the industrial sector.

The capital and rental growth measures for industrial property declined by half a point in April but total return crept back up to 0.3 per cent following a sudden downturn in February.

In the long term, industrial property maintains its position as the market leader, with a total return of 9.4 per cent for the year to April, two percentage points above the annual return for retail.

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  - Regional Representative, PNSC  
430 High Road, Ilford IG1 1UF, ESSEX  
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  - Regional Representative, PNSC  
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## MANAGEMENT

## No longer the ugly duckling

Daimler-Benz, Germany's largest industrial group, wants to spend more money in Britain. Keen to cut costs, it has embarked on a thorough search for sources of supply cheaper than high-cost Germany.

Now that the UK has largely shed its strike-prone image, and Germany has acquired one of its own, Daimler feels the time is ripe to look for reliable, quality-minded suppliers. "For several years now, we have ceased to be concerned about British suppliers' performance," says Klaus Engelhardt, Daimler's purchasing director.

Last year, the company bought DMS760 (\$365m) worth of parts and supplies, but only 15 per cent came from overseas. The group's aim is to raise that share to 20 per cent in the next few years.

It is concentrating on the UK partly because it is fairly close and, as Engelhardt says, "we can see that the UK motor industry is starting to flourish again".

At present, the UK is third on the list of foreign suppliers, just behind France and the US and accounting for DM1bn of group purchasing.

Daimler decided to make a big splash in London last June with a one-day supplier conference, its biggest ever. Around 340 companies wanted to come, but only 95 could be accommodated. Daimler is still in contact with most of them.

"We don't just look at the naked price," Engelhardt explains. "Seemingly big price advantages can be eroded by freight, packaging, insurance and other costs. If there is still a pricing edge of at least 5 per cent Daimler will take parts for testing and later place firm orders."

Altogether, the process from initial talks to final ordering takes around two years. Engelhardt's department works closely with the divisions using the bought-in components. The main thrust now is on the car side, where cost pressures are most acute.

There is a twist to Daimler's interest in the UK. Attracted by the Japanese-led resurgence in the UK motor sector, German suppliers like Siemens, VDO and Bosch have set up components subsidiaries in the UK; others are following. So Daimler may find itself buying British with a German flavour.

Andrew Fisher



NAME your 10 favourite large service organisations. If you are anything like me, they will include several retail chains, a travel agency, a hotel group, and perhaps an airline, a utility, or a car rental company. My list is topped by three retailers: Boots and John Lewis in Britain, and L.L.Bean in America.

But unless you are in the US, or use Citicorp or American Express abroad, I'll bet that none of your favourites is a bank or a credit card organisation. In Britain most retail banks seem to equate good service with little more than glossy advertising and restyled branch interiors.

This is not just a matter of personal prejudice. My distrust of banks is shared, for a start, by Linda King Taylor, a service expert who is the author of a new book with the ambitious title of *Quality: Total Customer Service*. She refused to include any bank in her volume, which consists of British case studies.

Her reason, she says, was that she could find no UK bank which met her criteria of excellent customer service. These include: total board commitment to it; adaptation of the company's systems to suit the needs of the customer; thorough training and empowerment of staff to deliver consistently good service; and continual measurement to ensure this.

She did, however, include cases on a building society (the Portman), on one part of a utility (the south-eastern region British Gas), and even – surprisingly – London's Metropolitan Police.

With the exception of several small branches of two banks, my experience echoes Taylor's judgment to the letter.

I have just had a telling experience with my new National Westminster Access credit card. Earlier this month, a polite standard letter arrived, pointing out that I had exceeded my credit limit, and asking for a payment. No deadline was given, nor any warning to avoid using the card until payment had been received. Yet a few days later I heard from a puzzled shop that a tiny charge – for £10.50 – had been refused.

Not even the once-villified North Thames area of British Gas, in its blackest days of service quality (now very much rectified), would have done such a thing. Cutting off a customer's supply without warning, whether the commodity be gas or credit, is to break one of the most fundamental principles of any type of service: the need to keep the customer informed.

To be fair to NatWest, both its

Christopher Lorenz finds out why the clearers seem unable to match other companies in terms of service

## No credit to banks



No British bank met the criteria of excellent customer service

Access department and its HQ staff handled the matter helpfully. They also admitted that the velvet-phrased letter and the iron-fisted action were inconsistent, or "faintly strange", as one employee put it. The mismatch between the offending systems is now being reviewed.

This responsiveness in dealing with at least one customer's complaint dilutes (very slightly) one's obvious surprise at finding NatWest listed as one of "50 European companies with top quality service" in a new book which is directly competitive with Taylor's.

The volume, under the main title of *Total Customer Satisfaction*, is co-authored by two consultants, Jacques Horowitz and Michele Jurgens Panak. The latter has particular expertise in banking.

But this does not make her any kinder to that industry than Taylor.

She cites three main reasons why retail banks, especially in Britain, generally fail to offer as high service quality as many other types of organisation.

First, she says they have to deal with relatively large numbers of people, both internally and externally.

(She cites NatWest's 110,000 employees and 6m customers.) That makes for plenty of fallible human contacts between employees and customers. Yet turnover is equally high among some retail chains – especially those laggards which do relatively little to retain staff.

Second, Jurgens points to the banks' high rate of staff turnover, which makes quality service difficult to achieve and sustain. Yet turnover is equally high among some retail chains – especially those laggards which do relatively little to retain staff.

Third, Jurgens includes NatWest in her third reason: that, until recently, British banks have not experienced much competition. Here they do differ markedly from the big retailers, who have to battle almost every week to stop flighty customers deserting to rivals.

So why did Jurgens include NatWest? In some ways she is heavily critical of the bank, saying that it still suffers from considerable bureaucracy and an inward-looking culture that puts self-protection before the interests of its customers. It still has systems that she calls "so anti-customer that it's unbelievable".

All the same, she says there is now a solid group of individuals within the bank committed to giving good service. She included NatWest because of the considerable and instructive effort which it has made since introducing its service quality programme in 1983. This has had patchy results, and has made little difference to the overall public perception of the bank vis-à-vis its principal competitors: customer expectations are at last rising. But the programme constitutes a vital part of the bank's future competitiveness.

For organisations in any type of industry, Jurgens' book, like Taylor's, contains plenty of helpful advice on how to improve service quality.

Good service companies empower their middle managers, the book argues, by giving them considerable independence, albeit within varying limits. Banks need to act likewise: to strike the right balance between empowered people who can make decisions on their own, and well-designed systems to which managers and other staff are programmed.

Most banks still err excessively towards over-programming – to systems which are not even particularly well-designed. They do so at the expense not only of managerial morale but also of customer service and loyalty.

\* Published by Century Business in *Sunday Times Business Skills* series, £20. \*\* Published in *Financial Times/Pitman series of Books for Business*, £30.

## Making the boss feel above par

By Kate Button

Only in California would you

find a family therapist turned management consultant running his business on a sailboat and a golf course, and making a good profit during recession.

J "Mitch" Perry, president of the Perry Corporation based in Palo Alto, California, is a pioneer of soft consultancy. While British management consultancies are facing increased competition and lower profits, Perry expects to increase sales this year by a third.

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wonderful experience," says Jones. "It is no longer 'them' and 'us', but 'we', the Product Exchange."

Another "magic and substance" product offered by Perry is the Performance Classic. This three-day programme costs \$2,500 per person and includes three mornings on one of California's most prestigious golf courses. This is not simply way of improving your handicap, says Perry: "It is about you and your performance in all aspects of life – personal and business."

Jim Dobbins, president of Crescentwood Hospitals, a nursing facility based in northern California, spent more than \$100,000 with the JM Perry Corporation in 1991, more than he had ever spent before on consultancy and training. He attended the Performance Classic

and says: "I wanted to improve my game, but I came away with much more than that. I had a real good feeling for the principles of reacting rapidly to adversity that Mitch Perry taught."

Not all organisations are supportive of this kind of consultancy. "Some companies are concerned about their image and say, 'People will think I'm having too much fun if I go sailing,'" admits Perry.

However, a surprisingly large number of US companies seem to view golfing, sailing, white water rafting and cross country skiing as legitimate ways of developing business skills. Even during a recession, companies including Amdahl, Citicorp, NEC Technologies and Andersen Consulting have commissioned services from the JM Perry Corporation. IBM recently joined the ranks, signing a contract to send 85 employees on the Executive Cup.

It is hard to see the idea working well in Britain: while many businesses might relish the idea of three days' golfing on company expenses, their shareholders might take another view.

## LEGAL NOTICES

Advertisement of Condition Meeting Under Section 40(2) of the Insolvency Act 1986. Registered No 559786 in England and Wales.

NOTICE IS HEREBY GIVEN to section 40(2) of the Insolvency Act 1986.

RECEIVERS OF RECEIVABLES

PASSED

At an extraordinary general meeting of the above named company to be held at Coket Hall, 9 Gresham Road, Finchley, London N2 9AJ on 5 May 1992 the following receiver will be named No 1 and an extraordinary resolution will be passed.

1. THAT the receiver be appointed to the satisfaction of the meeting that the company, by reason of its liabilities, continues its business and that it is advisable to wind up the same and that the receiver be appointed to do so.

2. THAT Kellie Kallis of 176 High Road, Finchley, London N2 9AJ be appointed receiver in place of Mr Kellie Kallis.

Dated 5 May 1992

J PAYNE, Chancery

At a meeting of creditors held on 5 May 1992 the above named company will be wound up. The receiver will be appointed to the satisfaction of the creditors by reason of the insolvency of the company and the receiver will be appointed to do so.

2. THAT the receiver be appointed to the satisfaction of the creditors by reason of the insolvency of the company and the receiver will be appointed to do so.

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## TECHNOLOGY

## Optical illusion on disc

Until last year Carlin Music, one of Britain's oldest music publishers, kept 85,000 contracts in filing cabinets.

Contracts were pulled out when they were needed and a result many became dog-eared. Occasionally a copy might even go missing. The catalogue continued to grow and Carlin finally realised that it needed a more efficient method of storage. "Adding more staff and filing cabinets would have only made the problem bigger," says Amos Blequin, computer manager at Carlin.

The obvious alternative was an electronic imaging system, but until recently they have been prohibitively expensive. Now, however, falling hardware prices and software packages which will run on industry standard PCs have brought such systems within the reach of small businesses like Carlin.

Beginning in December Carlin began the process of replacing its manual filing system with a document imaging system based on a PC-based document image processing (Dip) software package called ScanView Professional from Greenage Developments, a leading UK-based Dip developer.

Using a high-speed, 20-page-per-minute document scanner, Carlin's contracts were scanned into the system and squeezed using file compression techniques. They were then stored electronically. Because Carlin needed to store so many documents, an optical "juke box" was also installed which makes several discs - each of which holds up to 30,000 pages - available instantly.

The system including hardware cost about £30,000 and is expected to pay for itself quickly. Carlin is now considering using Greenage's latest product, FilePlus V2.0, for its other document storage and retrieval needs including copyright, royalties and accounting.

Greenage will be one of the exhibitors at the two-day OIS/Document Management '92 conference and exhibition at Wembley Conference and Exhibition Centre in London, which begins on Tuesday. The event has been arranged by Meekler, the IT conference and exhibition organiser, and Cimtech (the National Centre for Information Management and Technology).

Paul Taylor

**I**s your desk a mess? Do you have a hard time keeping track of notes from meetings and phone calls? Have you ever missed an appointment because you forgot to write it in your diary after a business trip?

What you need, according to Apple Computer, is "Newton", a pocket-sized electronic gadget that will help you to "take control of your life and get organised".

John Sculley, Apple chairman and chief executive, will provide the first public demonstration of prototype Newton technology at the Consumer Electronics Show in Chicago today. "This is the beginning of the biggest thing Apple has ever done. Our goal is to be the Johnny Appleseed of this new market for highly personalised devices that you can carry around in your pocket," Apple plans to start selling the devices early next year.

The prototype is just the beginning. Apple executives stress, even so, it has an obvious appeal. A little black box, about seven inches by four-and-a-half inches, at first glance Newton looks like a Sony Diskman, with curved surfaces and rounded edges; a "soft friendly shape" that invites you to hold it, as Apple's marketers put it.

A flip-up lid reveals a five-by-three-inch grey screen with black "icons" printed on it. There are no buttons to press, except the on/off switch. A pen-like stylus slots into the side of the unit.

You use Newton like a note pad, jotting down lists of things to do, sketching diagrams, recording appointments as you talk on the phone or taking notes in a meeting.

Automatically, the machine will file the information, putting appointments in the electronic calendar, recording phone numbers and addresses, or storing away notes that can be retrieved easily.

Newton's biggest advantage over paper and pen, even for the most well-organised people, is its ability to communicate via facsimile, telephone or computer networks.

You could, for example, scribble a "Happy Birthday" note to be sent tomorrow. Newton will make sure you don't forget, and send the message automatically.

Or perhaps you are going to Paris. A phone call will supply Newton with such information as a map of the Paris Metro, along with a built-in phrase book and perhaps a guide to the Louvre. Point to a spot on the map and it will tell you how to get there. Write what you need to say and it will translate.

The extent to which Newton can call upon outside help, such as the Paris guide, will depend upon the development of third-party software and information services.

Establishing new distribution channels for Newton is also an

Apple will today unveil Newton, an electronic gadget which it claims will help you take control of your life, writes Louise Kehoe

## Feel the force



Newton is aimed at a wide audience unimpressed by technical detail

important step in Apple's strategy to play a leading role in what Sculley predicts will become \$3.5 trillion (million million) market by the turn of the century for a new class of consumer products that blend computer and communications technologies with entertainment and information services.

Apple aims to sell Newton to people who have little interest in technology, and even those who are averse to high-tech gadgets, so the company's promotions will not

stress technical details.

However, some sophisticated computer hardware and software will be hidden inside Newton's little black box. The unit will be powered by a Risc processor designed by Advanced Risc Machines of Cambridge, England, which engineers say was chosen for its high performance and low power consumption.

To provide strong data storage capacity, Apple will make use of "flash memory cards" that can store up to 20 Mbytes of data on a card

not much bigger than a credit card. Early models of Newton will incorporate infra-red communications to exchange data with computers over short distances. Ultimately, however, Apple aims to give Newton the ability to operate across longer distances by using radio communications.

Yet Apple's strength, in what is expected to become a highly competitive market, lies in its software. The handwriting recognition programs demonstrated by Apple are winning acclaim among industry experts. Unique to Newton is its ability to recognise and to make symmetrical rough sketches of shapes. A user, for example, may scrawl a circle and it will automatically be rounded and centred. Future Newton products will also incorporate speech recognition.

Perhaps Apple's greatest advantage is its imagination. Numerous companies have introduced "pen computers", but none has so far aimed them at the mass consumer market. Others, such as Hewlett-Packard, Poqet Computer and Psion offer pocket-sized computers, but none is as simple to use as Newton. There are also plenty of "electronic organisers" on the market, but these appeal only to high-tech gadget fans.

None the less, Apple faces some significant challenges. The company's reluctance to detail features of its first Newton appears to reflect the difficulty it faces in compromising between performance and price.

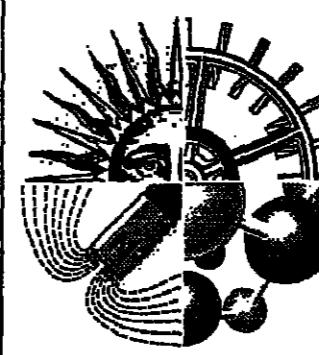
The data storage capacity of the first Newton model may, for example, determine whether it will sell for about \$500 or for more than \$700.

Breaking with its past practice of jealously guarding proprietary technology, Apple is looking for technology partners who will license its Newton technology to create compatible products that may also compete with Apple's Newton. Royalties from licensees will make up a significant portion of Apple's Newton revenues within a few years, the company predicts.

The first such Apple Newton partner is Sharp Electronics of Japan, which will manufacture Newton products for Apple as well as making its own versions for the Japanese market.

Apple is also expected to face stiff competition. Casting a shadow over today's demonstration at the Consumer Electronics Show in Chicago was the announcement yesterday that Tandy, a force in the US consumer electronics market, is to collaborate with Casio, one of Japan's leading consumer electronics manufacturers, to develop, manufacture and market a line of personal information devices based on "open standards" that will compete directly with Apple's Newton.

## Worth Watching · Paul Taylor



applications for the device apart from providing a simple way for electricians to check currents or do fault diagnosis.

Connected to a loudspeaker, it could replace inductive loops for people with hearing difficulties. Alternatively, it could be used as an instant pocket telephone loudspeaker or for underwater voice communication. Paraphone, 0832 226612.

## Good vibrations on the local network

Local area networks (Lans) are an effective way of linking desktop PCs together. But managing and maintaining complex networks can be difficult for managers who have to use separate software packages for each task, such as systems maintenance.

Microcom, the US-based data communications and connectivity specialist, has launched LANLord which it claims is the first integrated software package for the centralised management of PC workstations on networks.

LANLord automatically collects, stores and updates network and workstation statistics and notifies managers if any pre-set "alert-thresholds" are reached, thereby helping network managers to anticipate problems as well as responding to users' requests for help. Microcom: US, 617 551 1000; UK, 0483 740763.

## Sea sponge soaks up barnacles

Barnacles on ships' hulls lead to increased friction and higher fuel consumption, slowing down the vessel and speeding up metal corrosion. On offshore platforms the deposits can cause a destabilising load on the structural members.

At present there is no ideal recipe against fouling. But researchers at TNO, the Netherlands Organisation for Applied Scientific Research, believe that sea sponges may hold the secret to an environmentally friendly anti-fouling technology.

Field and lab tests using 50 different species of sponge from the Caribbean Sea have revealed the sponges' ability to soak barnacles, mussels and algae. But the active substances providing the protection are not yet understood. TNO: Netherlands, 3115 694956.

Macedonia  
For 4,000 years, \* steeped in the history of Greece.

## Statue of Aristotle, Stagira



Aristotle, the tutor of Alexander the Great, was born in Stagira in Macedonia in 384 BC. Together with Plato, he is regarded as one of the greatest philosophers the world has known. Aristotle was a true academic, concerned with Physics, Astronomy, Rhetoric, Literature, Political Science and History. His teachings have laid the foundation for modern scientific thought.

## The Bust of Alexander the Great, Acropolis, Museum, Athens



Alexander was born in 356 BC in Pella, Macedonia, established by his father, Philip II, as the centre of Hellenism. Nurtured on the thoughts of his tutor, Aristotle, he rose to fame as a brilliant military leader. He influenced the course of history, rightfully earning his title as Alexander the Great. In 335 BC he became Military Chief of all the Greeks. By the time of his death in 323 BC he had created an enormous empire, stretching from the Adriatic Sea to the Indus, and from the Caucasian Mountains to Egypt. He spread the Greek spirit far and wide among nations who idolised this great man.

## The Olympia Aphrodite, 5th Century BC, Museum of Olympia



This statue of Aphrodite came to light during archaeological digs at the ancient sacred city of Dino, Dino, at the foot of Mt Olympus, was the most important spiritual site for the Northern Greeks, playing the same role in their lives as that of the oracle at Delphi.

## St. Dimitrios, 5th Century BC, Church of St. Dimitrios, Thessaloniki



St. Dimitrios, Protector of the city of Thessaloniki, was martyred in 305 AD defending Christianity. He is regarded as the Patron Saint of Thessaloniki saving the city during its difficult moments.

## The White Tower of Thessaloniki



Thessaloniki, the heart of Macedonia, is a modern city with 1,000,000 inhabitants. It is strategically located at the crossroads of Europe with Asia. Having spread the word at Philippi, the Apostle Paul continued his teachings in Thessaloniki. Its important monuments and relics, dating through the ages, provide testimony to the role that the city has played as the second capital of Hellenism.

## Statue of the Great Macedonian Dynasty from the hands of Philip II, The Louvre



This 16 pointed star of Vergina was uncovered during the archaeological excavations at Vergina. The symbol of the Macedonian Dynasty decorated the golden tomb of Philip II. The Star of Vergina, extracted from the soil of Macedonia, has since become the symbol of Hellenism.



4000 years - Post-Macedonian ceramic reliefs found in Averous and Myrrhine, swords found in Greece date back 4,000 years, evidence of Macedonia's role in the history of Greece.

Myrrhine, in the north of Macedonia, was the capital of the Macedonian Kingdom, the seat of Alexander the Great.

GREECE  
Chosen by the Gods

FOR MORE INFORMATION, PLEASE CONTACT THE GREEK NATIONAL TOURIST ORGANIZATION, 2 AMERIKIS ST, GR-105 64 ATHENS, GREECE. TEL: (3011) 322 3111, 322 3704

There is a limited amount of exhibition space available at the conference

FT  
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1 July 1992, London

This one-day conference will examine Sweden's economic and financial reforms, its privatisation programme and assess the opportunities for foreign investment.

Speakers include:

**Mr Per Westerberg**  
Minister of Industry and Commerce, Sweden

**Mr Urban Bäckström**  
Under Secretary  
Ministry of Finance, Sweden

**Dr Peter Wallenberg**  
Chairman, Investor AB  
First Deputy Chairman  
Skandinaviska Enskilda Banken

**Mr Win Bischoff**  
Chairman  
J Henry Schroder Wagg & Co Limited

**Mr Rune Andersson**  
Chairman of the Board  
Swedish Steel AB (SSAB)

**Mr Herman C van der Wyck**  
Chairman  
S G Warburg & Co Ltd

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Chief Economist  
Nordbanken

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## ARTS

# The mystery of the two yarnwinders

Patricia Morison on a question of attribution

**L**eonardo da Vinci was infinitely distractible. In 1501, the head of the Carmelites in Florence wrote to warn Isabella d'Este that her chances of getting a painting out of Leonardo looked worse than ever.

Leonardo, the prior reported, was so enthralled by mathematical experiments that "he cannot bear the brush". No doubt more irritating still, for the marchioness was to learn that another collector, a Frenchman called Florimond Robertet, had now jumped the queue.

Distracted Leonardo might have been, yet even so he managed to come up with what the prior recorded as a novel version of the Virgin and Child: the "Madonna with the Yarnwinder". Soon, Leonardesque painters were turning out versions and pastiches of it, both good and bad. *Leonardo da Vinci*.

"The Mystery of the *Madonna of the Yarnwinder*", at the National Gallery of Scotland in Edinburgh, takes a close look at a problem which has long bothered Leonardo scholars. Two unquestionably lovely versions of the theme have survived. Which has the stronger claim to be by Leonardo, and could it be the painting for Robertet?

Puzzle-solving exhibitions have been the success story of this decade. The Edinburgh show runs true to type in not being particularly large, although it is filled out with drawings and historical material on Robertet, secretary to Charles XII. But the fact of the puzzle being about Leonardo, make this the most significant show about scholarly sleuthing yet. The scholar in question is Professor Martin Kemp, creator of the memorable Hayward Gallery show of 1983.

In 1898, two Madonnas with Yarnwinders were exhibited in the Burlington Fine Arts Society. One belonged – as it still does – to the Dukes of Buccleuch. The other was the property of Lord Battersea and now belongs to a New York collector. As is the way of these things, each has had adherents as well as detractors, even as recently as the last decade. Researchers wavering away in the archives and scientists using infra-red reflectography, have helped push the question forward.

Now, for the first time in almost a century, the two versions meet again. At a glance, it is clear that for all the obvious similarity, there are important differences. The New York version is brighter in colouring but, even to the layman's eye, more damaged. With its deep green-blue hue, the Buccleuch painting shows more clearly Leonardo's extraordinary "smoky" technique in which the flesh is modelled. It carries a strong echo of the *Virgin of the Rocks*.

But most of all, the difference lies in entirely different backgrounds. In the New York painting, the Virgin and Child are seated in front of a dizzying view of ice-blue alpine ranges, reminding us of Leonardo's fascination with mountains.

The Buccleuch version sets the figures in front of a murky landscape with rocky outcrops and bushes which border a desolate, dead-calm sea – something found nowhere else in Leonardo's work.

If the varnish were not dirty and discoloured, the band of light at the horizon might be more eye-catching and point more clearly to the time-honoured association of the Virgin as stella maris, star of the sea. That said, it is hard to

feel happy with the idea that anyone might fiddle about cleaning this calmly beautiful, melancholy painting.

As the prior Fra Pietro implied to the marchioness, there was much for a sophisticated Christian to ponder in this novel scene. On one level, Leonardo shows a young mother patiently restraining her lively son who is in the way of her spinning. Medieval society naturally viewed the Virgin as a busy working mother. But the cruciform yarnwinder represents the cross and the Virgin's solemn expression suggests prescience of the sacrifice which her son will one day eagerly embrace.

Many painters, notably Raphael, took up the idea of baby Jesus as an active little chap. No one, however, appears to have followed Leonardo's notion explored in one of his exhibition's drawings, of showing the Christ Child in the Virgin's arms, squeezing the life out of a cat. There was a legend that a cat gave birth at the same time as the Virgin, but Leonardo was motivated less by an interest in inventing subjects for their meaning, and far more for the formal opportunities they offered.

**T**he drawings, from public and private collections, bring out well Leonardo's insatiable curiosity about the underlying structure of the natural world. How did a child's anatomy differ from a man's? (It was a macabre thought, but Leonardo was presumably not able to dissect infants as he did grown men.) Babies dimpled, he noted, exactly where grown men had bulges.

Among the sketches in the exhibition, we see a sheet covered in drawings of chubby



The version of *Madonna of the Yarnwinder* in the Duke of Buccleuch's collection

limbs, together with studies of the Christ Child standing and walking, and of a child's head probably done to help members of the studio.

Contemporaries particularly admired Leonardo's brilliance at conveying emotion through movement. Furiously executed sketches show him working out ideas. A sketch from a private collection shows one of the artist's stranger inventions: Christ slipping off the Virgin's lap, who in turn rises from the lap of her mother. St Anne.

What then, of the "Mystery of the *Madonna of the Yarnwinder*"? Kemp's view is that both the Buccleuch and the New York paintings were mainly painted by Leonardo, but partly also by his assistants.

This drawing may help Leonardo scholars solve another mystery. It conforms exactly to

another description by Fra Pietro, again writing to Isabella, this time about a cartoon. Could it be that the drawing is a fake, produced by someone who had read the prior's letter?

Professor Kemp takes a more charitable view; that Leonardo went first, then someone with a clumsy touch went over the top of his outlines.

What then, of the "Mystery of the *Madonna of the Yarnwinder*"? Kemp's view is that both the Buccleuch and the New York paintings were mainly painted by Leonardo, but partly also by his assistants.

Exhibition runs to 12 July. Sponsored by Martini Brut

perhaps a decade earlier, and that is the one secured by Florimond Robertet. But the New York painting is emphatically no mere "copy".

Here is yet another exhibition which, like the Mantegna and the Rembrandt shows, aims to kick a hole through rigid ideas of Old Master authorship. From start to finish, the professor concludes, Leonardo had his hand in both these beautiful little Madonnas; happily for their owners, both are "fully acceptable as works by Leonardo".

The Buccleuch painting is



Donald Sinden and Susannah Harker

## Venus Observed

**C**hristopher Fry's play must have seemed pretty odd even in 1950, when first produced by Laurence Olivier, with Olivier in the key part of Hereward, the Duke of Alair.

On one level it is remarkably erudite: there are literary and classical allusions all over the place, as well as some science as the Duke surveys the stars and the planets from his observatory. At another level there are some very funny lines and marvellous opportunities for stage effects like the eclipse of the sun and the Duke's country house catching fire. There is a good plot to go with it.

Yet even in an age when verse drama was more fashionable than it is today, audiences may have been deterred by the occasional ramblings off into poetic monologues. The piece does not quite fit together.

And so it is at Chichester, where Donald Sinden has stepped comfortably into the role once played by Olivier. The Duke is an ageing seducer who brings back his lady friends to watch the eclipse with the intention of settling down with one of them for good. The trouble is that his son, Edgar, is cast in his father's mould. Both father and son fall for the unexpected

Some of Sinden's speeches are also strikingly poetic. I find these changes of gear rather pleasing; others may think them confusing and even archaic.

Literary flourishes abound. The Duke tells Perpetua that she must try to use longer sentences. She then speaks what must be the longest sentence in the history of the English theatre, although there is a slightly questionable use of a color in the middle. The audience is applauding her home as if egging on an athlete towards the end of a middle-distance race.

The primary influence on the play appears to be Shaw, perhaps because we have recently seen *Heartbreak House* revived at the Haymarket. There is a lot of Captain Shotover in the Duke of Alair. Fry also has Shaw's fascination with language and his ability to make sudden jokes like the lines about how to spell "epidemic" and how many children had the Roi du Soleil.

Again, as in Shaw, some of the characters are more developed than others. Apart from Sinden, outstanding here are Denis Quilley as the estate manager and Valerie Taylor as Rosabel, the old dame whom the Duke decides to settle for, once she has done her spell in prison for arson.

Malcolm Rutherford

## Opera North's production of Boris Godunov (071-823 9998)

### EXHIBITIONS GUIDE

#### AMSTERDAM

#### Tate Gallery Stanley Spencer: Paintings and Writings

19th century Japanese artist

Yoshitoshi. Ends June 26.

Masters from the Mesdag Collection. Ends Aug 19. Daily

Museum. The Influence of Japan on Dutch Art. Ends July 26. Closed Mon

BERLIN

Haus der Kulturen der Welt

Civilisation of ancient Peru. Ends Aug 30. Closed Mon

Antikenansammlung The Fame of the Pantheon. 100 engravings and etchings of Rome's greatest architectural monument. Ends Aug 16. Closed Fri

Schloss Charlottenburg Palace of the Gods: 1500 years of Indian art. Ends June 28. Closed Mon

BERNE

Kunstmuseum Picasso: Pink Period 1905-6. Ends July 26. Closed Mon

FLORENCE

Offizi Florentine drawing at the time of Lorenzo the Magnificent, with works by Filippo Lippi, Leonardo, Michelangelo, Botticelli and other Renaissance artists. Ends July 26

Spedale degli Innocenti

Architecture in Florence and Tuscany in the time of Lorenzo the Magnificent. Ends July 3

GENOA

Palazzo Reale and Palazzo

Spinola di Pellicceria Genoese art of the Baroque age. Ends July 26

#### GRANADA

#### Alhambra Art of Islamic Spain

Ends June 7

#### LIVERPOOL

#### Tate Gallery Stanley Spencer: Paintings and Writings

Ends Jan 10. Closed Mon

#### LONDON

#### Barbican The Celebrated City: Treasures from the Collections of the City of London

Artists represented include Landseer, Holman Hunt, Millais and Rossetti, and there are 83 17th century Dutch paintings. The historical sections of the exhibition include early charters, manuscripts, views of London before and after the Great Fire.

Themes such as the role of the Lord Mayor, the relationship between the City and the Sovereign, and the life of the City are also covered in this wide-ranging show. Ends July 19. Daily

#### Hayward Gallery Magritte: 150

paintings, collages, sculptures and surreal objects by the Belgian artist now acknowledged

as a central figure in 20th

century art. Advance booking on 071-928 8800. Ends Aug 2. Daily

#### Tate Gallery William Blake (1757-1827): the apprentice years

Ends Aug 16. Also David

Hockney: Seven Paintings. Ends July 26. Brice Marden (b New York 1938): leading contemporary painter-engraver. Ends June 21. Daily

#### Accademia Italiana

Rediscovering Pompeii. Advance booking on 071-379 4444. Ends June 21. Daily

#### NEW YORK

Metropolitan Museum of Art

#### Royal Academy of Arts

#### Alexander Calder (1898-1976):

versatile and popular US artist

Advance booking on 071-257

9579. Ends June 7. Daily

#### Courtauld Institute Hogarth and Piranesi: Engravings and Etchings by two great 18th century printmakers

Ends June 12. Also Andrea Mantegna. Ends June 17. William Hogarth: late 18th century American master of still-life painting. Ends June 14. Royal Art of Benin. Ends Sep 13. Closed Mon

#### Victoria and Albert Museum

Sovereign: items belonging to the Royal Family which have

never been seen in public. Ends Sep 13. Also 20th century

costume jewellery by Chanel, Dior and others. Ends July 5. Daily

#### MADRID

#### Calcofografia Nacional One Hundred Years of Finnish Graphic Art

60 works by artists from 1897 to the present day, illustrating how Finland since

independence has been fertile

territory for artists, architects and designers. Ends June 28. (Alcalá 13)

#### Fundación Juan March

Alexei Jawlensky (1864-1941), Russian painter who was influenced by

Matisse. Ends June 14. Daily

#### Centro de Arte Reina Sofía

Marcel Broodthaers (1924-1976):

200 works and films by the Belgian artist. Ends June 28. (Alcalá 13)

#### MARTIGNY

#### Fondation Pierre Gianadda

From Goya to Matisse: 160 prints,

showing the development of the

art of etching from the late 18th

century to the early 20th. Ends

June 8. Daily

#### PARIS

#### Galerie Schmitt French Masters

of the 19th and 20th centuries.

Ends July 18. Closed Sun (396

route Saint Honoré)

#### Grand Palais The Vikings

Ends June 1. Closed Tues, late

opening Wed (ave du General

Eisenhower)

#### Musée d'Art Moderne Sima

(1891-1971): 200 works by the

Czech painter. Ends June 21.

## Berlin Festival Fringe

**W**ith a wheelbarrow, a crutch and a bicycle, a new work by an obscure young director leaps on to a stage made of wooden crates and in 75 minutes knocks out its sedate festival audience. The unexpected hit of the Berlin Festival, *The*

## FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL  
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Friday May 29 1992

## How to revive a dead canary

THE insolvency of Canary Wharf raises two possible prospects. One involves cancelling a proposed underground rail link to central London, thus adding to the pressures on tenants already dismayed by the collapse to invoke escape clauses in their leases and so being left to watch as Europe's biggest office development, already half empty and worth half as much as the debt carried in its name, becomes a marbled haunt for bats and river rodents.

The second is that those with a direct interest in avoiding this outcome – namely the banks which effectively own Canary Wharf and the government – do something to stop it.

So far, the government has reasoned that the banks will see that if they are to avoid adding to their losses they must stump up the cash the original developer, Olympia & York, promised to co-finance the Jubilee Line link. Mr Major was firm again yesterday that he has no intention of bailing out Canary Wharf.

The government is right to drive a hard bargain: the banks are exposed not only to Canary Wharf but to numerous other projects in east London. They cannot expect to avoid paying a heavy price for their commercial misjudgments.

But the bargaining cannot end there. The upgrading of east London's transport infrastructure is crucial to the future of the only substantial part of greater London capable of absorbing more people and buildings, not to mention its position at the fulcrum of the proposed Channel Tunnel link. A very large amount of public funding has already been committed to Docklands, much of it in a belated dash to address the area's chronic transport problems.

If it is true that the Thatcher

government's biggest mistake in Docklands was its failure to provide an adequate transport system, it hardly makes sense to deny proper transport now that the area is heavily developed. The government should declare swiftly and firmly that it is negotiating with the administrator to ensure that it gets the best terms possible for moving its civil servants to Canary Wharf and for co-financing the new railway.

There is also the wider question of the government's credibility. Its urban development corporations, using public funding to attract private sector investment, have mostly been a success. So much so, that Mr Peter Walker, the former Welsh Secretary with whom some of those successes are associated, is about to become head of a new urban regeneration agency. If the government proves too hard-nosed over Canary Wharf, it will hardly be seen as a reliable partner in future projects.

The key to Mr Walker's Welsh achievement was his ability to combine mixed funding and a constructive relationship with mainly Labour-controlled local authorities. Most of the problems of Docklands stem from the failure in London's more turbulent political atmosphere to achieve a similar unity of purpose. The City of London, the east London boroughs and the government have, literally, played beggar my neighbour.

Canary Wharf may never become a global financial centre. But there is no reason why it cannot be nursed towards playing a useful part in the economic re-bilitation of east London. Mr Major has set up a Cabinet Committee to co-ordinate London's woefully strategy-less development. It is time Londoners heard from it.

## Swiss movement

AFTER YEARS of dithering, the Swiss have reached a moment of decision. Last week's referendum, in which they decided to join the IMF and the World Bank, confirms earlier hints of withdrawal from dogmatic neutrality. The government's move to apply for membership of the EC, together with the scheduling of two referendums later this year on joining the European Economic Area, has clearly posed the European question.

From the EC's viewpoint, Swiss membership in both bodies is welcome. Exporters of goods and services to Switzerland would benefit from the removal of mechanisms which still protect 70 per cent of Swiss internal trade from market forces. Politically, Britain in particular would find Switzerland a valuable ally, sharing its concern about the EC's bureaucratic and centralising tendencies. And the Community as a whole would benefit from Swiss administrative and diplomatic competence.

From the Swiss viewpoint, closer links with the EC would improve the economic outlook at a time when the special circumstances which led to Switzerland's postwar industrial and financial success have disappeared.

Contrary to some perceptions, the Swiss have never been isolationist. But they risk being isolated in the future unless they

move closer to the EC. The young are suffering from being unable to work and study freely in other European countries. By joining the EEA, the Swiss would assure themselves a place inside the world's largest trading bloc.

There are heavy costs, notably a commitment to invest a colossal \$700bn or so over the next 20 years to build two new rail tunnels through the Alps. Yet the Swiss have much more to gain than to lose from EEA membership.

The question of joining the EC is more difficult. The Swiss confederation is a relatively weak alliance of four linguistic groups, which do not obviously have much more in common than a currency, a railway and a postal service. It has been held together by a light and decentralised structure of government, and by the tradition of referring most decisions to the people. If it joined the EC, regional and linguistic alliances could become stronger than the national one, and the frail glue that holds the confederation together could weaken further.

Perhaps that would not matter, if the Swiss succeeded in communicating the secret of their improbable cohesion to a wider Europe, of which they are already the geographical heart and linguistic microcosm.

## Damp strike

YESTERDAY'S DAMP squib of a general strike in Spain marked a victory for the efforts of Mr Felipe Gonzalez, the prime minister, to steer his country down the road of EC convergence. However, the toughest part of Spain's bid to prepare for economic and monetary union is still to come. The drive to bring Spain's economy more into line with the performance of its European partners represents a threefold challenge. It will test Mr Gonzalez's ability to govern up to and beyond the next general election, due to take place no later than October 1993. It will test Spain's ability to compete successfully with the rest of the industrialised world. And it will test the Community's ability to sustain a political consensus in favour of the strict ECU disciplines imposed under the Maastricht treaty.

On the first point, Mr Gonzalez's achievement in standing up to union opposition must improve his chances of going to the polls as Spain's unscrupulous Don Convergen-

cia. The latter two tasks will be more difficult. The challenges have been increased by slower growth in western Europe, now weathering a period of economic doldrums comparable only with the 1981-82 recession. Spain, in common with other EC countries, has tailored its medium-term economic strategy to the goal of meeting – if not bettering – the Maastricht economic convergence objectives.

Yet the strictness of the targets seems likely to limit the opportu-

In Japan we have a saying that if you keep talking about ghosts in a dark room, the ghosts get bigger and bigger and more fearsome." That says Mr Yoshimasa Nishimura, deputy head of the banking bureau of Japan's Ministry of Finance, is just the way foreigners are scaring themselves about the health of the Japanese banks.

His former colleague Mr Toyoo Gyohten, now at the Bank of Tokyo, is even more emphatic. "There is absolutely no concern about a systemic problem of the banking industry here," he says.

Not everyone shares his view. Japanese bank shares have lost nearly 40 per cent of their value since the beginning of the year, in anticipation of the falling profits and rising bad-debt provisions which the top 11 commercial banks reported yesterday. Western bankers have been asking their Tokyo offices for urgent reassessments of the credit status of the Japanese banks with which they do business. Do they know something about ghosts that the ministry does not?

For part of the answer, talk to Mr Tatsunari Ushimaru of Teikoku Databank, a Japanese credit-data service. As Japan's economy has slowed over the past year, bankruptcies have risen, he says, but the debts of the average bankrupt company have risen far faster, threefold in three years.

Mr Ushimaru calls these "bubble bankruptcies", after the surge in asset values that drove Tokyo land and share prices to unsustainable heights in the late 1980s. Shares have since halved and property values have dropped by a third – and speculators are paying the price. So are their banks.

The Ministry of Finance says the 21 big Japanese banks have non-performing loans worth perhaps \$7,000-\$8,000bn, some 2-3 per cent of total assets of \$350,000bn. Bankers in Tokyo estimate that loans worth \$6,000bn may eventually run into problems: some economic analysts put the figures higher still. Even if loans turn sour, however, most of the money lent may be recoverable in time. The question for the banks is how much – and how long it will take.

A bank of Japan official says the bad debt problem is "serious but not lethal"; Mr Makoto Utsu, special adviser to the finance minister, talks of "a few years in a very hot tub" for the banks.

The exact temperature of the water is still unclear. Japanese banks recognise loans as non-performing only when no interest has been paid for six months.

The close ties between lender and borrower often lead the banks to cut interest rates for a troubled debtor – a concession that keeps the loan out of the non-performing category. Bad-debt provisions are thus traditionally low: yesterday, the 11 big commercial banks announced a five-fold rise in provisions, but the combined figure was still only \$244bn.

One feature of the bubble years adds to the lack of clarity. The banks lent \$80,000bn to non-bank finance companies, which then lent much of the money on to property developers. "When non-banks borrowed from a bank they would not have to put up collateral," says Mr Tokio Inoue, senior managing director of Dai-Ichi Kangyo Bank, "but the bank would want to see that they had adequate collateral for their own lending. Major banks typically lend up to 70 per cent of the value of collateral, but in recent years non-banks made loans of 100 per cent of the value of real estate."

This means, he says, that the proportion of money recoverable is lower than before, but time will solve the problem". His confidence is shared. Mr Kazuhiko Kasai, senior managing director of Fuji Bank, says: "Even at the current market price our troubled loans are fully covered by collateral."

Up to a point. There is no real secondary market for buildings in Japan, so the market price is an estimate rather than one derived from actual transactions; it may not be very accurate at the moment.

Still, as Japanese bankers point out, there are very few "transparent" (unlet) buildings in Tokyo. "We don't have as serious a situation in the real estate market as in the City of London, New York, or Melbourne," says Mr Yoh Kuroawa, president of the Industrial Bank of Japan. "The problem will be over in one to two years."

Bad loans are only one of the banks' problems, however. Just as important is the way the sliding stock market affects the capital adequacy standards of the Bank for International Settlements, which are due to take effect next year.

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Bad loans are only one of the

# France accelerates into the overtaking lane

Andrew Adonis and William Dawkins examine evidence that London is falling further behind Paris in its transport connections

Londoners spend longer commuting further in more late-running, overcrowded trains and buses than their Parisian counterparts, and their relative plight looks set to worsen during the 1990s. Even Paris's notoriously congested motorway system is to be improved by a network of privately financed motorways, while "no change" is the name of the game for London.

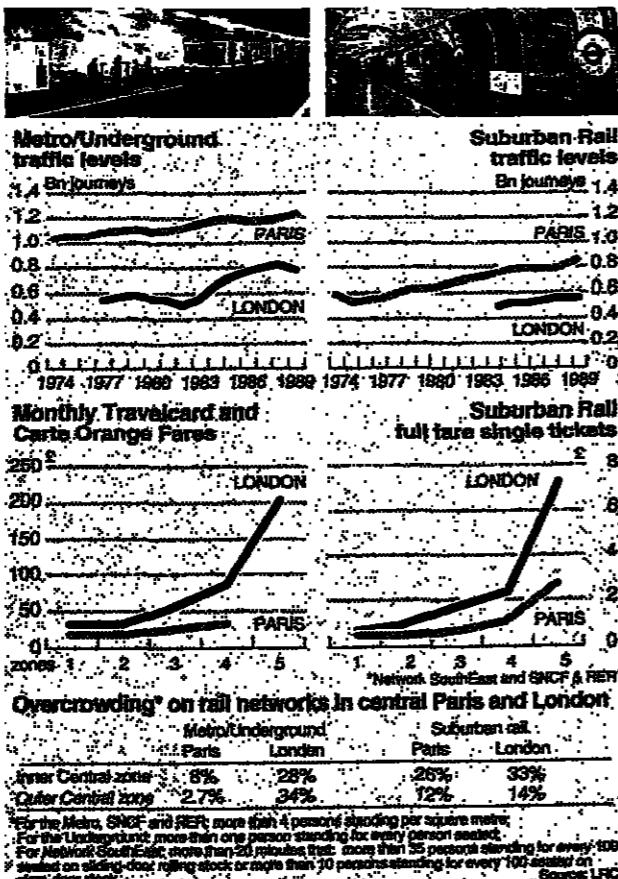
Only in buses - where both capitals are progressively privatising their routes - are the two cities on the same road, to evident advantage.

These are the findings of a report\* comparing transport in the two cities, to be issued next month. It is the joint work of the London Research Centre, an independent think tank, and London Planning Institute for the Ile-de-France regional council, which embraces Paris. Their conclusion is that London is the poor relation in urban transport, has been reinforced this week by the insolvency of Canary Wharf, the business development in London's Docklands to whose success inadequate rail links were a significant impediment.

In both Paris and London, commuting is the grim lot of a similar share of the workforce. The proportion of journeys to work made by public transport is higher in Paris (43 against 37 per cent). But London's more dispersed residential geography means that its commuters typically travel about a tenth again as far as their Parisian counterparts - offsetting the relative advantage of London's more far-reaching Underground and suburban rail and road systems.

Besides that, the honours are with Paris. Its central area rail network is now far superior to London's within a comparable central zone. The Metro runs across almost twice as many kilometres as the Underground, and the average distance between its stations is half that in London. La Défense, Paris's edge-of-city business district, has fast suburban-line connections and gained a Métro link last month. Docklands, its London equivalent, has a sub-standard railway. An Underground link, through an extended Jubilee line, has been jeopardised by the failure of Canary Wharf.

Paris also benefits from more express cross-city rail routes: it has three through lines with a fourth partially built and a fifth projected. Thameslink, London's sole equivalent, is infrequent - especially in peak hours, because of capacity constraints. Another (cross-rail) is planned, but work has yet to start. Forty years after it



\*See the Metro, SNCF and RER: more than 4 percent standing per square metre.

For the full report, see [www.lrc.org.uk](http://www.lrc.org.uk) or telephone 0171 222 2000.

**'There is a national concern in France to make the Paris transport system shine'**

opened, Heathrow airport still lacks a fast rail link to the city. A British Rail/British Airports Authority consortium has permission to build one, but is strapped for cash and looking for other partners.

It is not just on routes, but on overcrowding, punctuality and frequency, that London stands out. Almost a third of the Underground's network is judged overcrowded in the central zone, compared with 5 per cent in Paris; 94 per cent of Paris peak hour suburban services arrived within five minutes of schedule in 1989-90, compared with 83 per cent in London; central-zone Métro frequencies in Paris range from 1.5 to 4 minutes in peak hours - in London the range is 2.5 to 8 minutes.

"These differences are crucial," says Mr Caralampio Focas, editor of the joint study.

"While journey times are not much different, people have to allow far more time to travel by public transport in London."

Behind such contrasts lie crucial differences in investment and organisation. It is not just government largesse: business pays a share of the

cost to keep the cost to the taxpayer down. In London, by contrast, there are few development plans for roads.

"There is a national concern in France to make the Paris transport system shine," says Mr Focas. "It is seen as a facilitator to development, while terms such as 'making London into a great city' don't appear anywhere."

The different government structures in the two capitals also help explain their divergent paths. Central government is the principal player in both cities: their main transport providers are nationalised industries with remits set by ministers. In Paris, though, the powerful City government and the Ile-de-France region - neither with a London equivalent - are powerful lobbyists for the city's transport needs. They also put money behind their dreams, footing a large part of the bill for capital spending.

More than a third of the region's 1991 budget of FFr10.6bn (£1.06bn) was devoted to transport. The city government spends about FF12bn on transport, including roads, parking and a contribution to the RATP. The city has equal representation with the state on the Syndicat des Transports Parisiens (STP), the body responsible for public transport planning in the capital.

The contrast with London is stark. As the report puts it: "Overall and comprehensive planning of transport has been abandoned and the operation of the transport system has been increasingly dismembered among private developers, boroughs and counties, different government departments, nationalised industries and quangos." The result? In London, the past 25 years has seen the construction of 33km of new Underground/suburban track and 250km of new motorway; in the same period Paris has brought 137km of new track and 500km of motorway into service. As to London's long-term plans - there are none.

There is a neat symmetry to all this. In the 1950s and 1960s Parisian planners looked to London, its Tubes, red buses and city-wide council for inspiration. Now the wheel has come full circle, with Paris the model to be followed. Perhaps understanding will be facilitated by the opening of the Channel tunnel link - albeit delayed, and with no fast link to London.

\*Available from HMSO, £23.99. This is the second in a series on planning and public services in Paris and London. The first appeared on February 12.

## OBSERVER

### Those who teach...

■ Where does the world's best known management school look for a leader for its new publishing venture?

Not to the august experts on its teaching staff, in the case of Harvard Business School, even though one of them - the famous Rosabeth Moss Kanter - already edits its flagship publication, the Harvard Business Review.

Having decided to group its disparate publishing activities into a single entity, it is expected to generate \$40m a year in revenue, the school is importing a publishing professional to run it in the shape of Ruth McMullen from Wiley. Kanter, a professor of organisational behaviour, will step down as editor of the review although she becomes vice-chairman of the board of the new unit.

While her two-year stay in the editorship has been stormy at times, insiders say the real source of the evident tension is not her management but the hybrid nature of the product. The bi-monthly review is neither an academic journal nor a typical business magazine.

Even so, with efforts in train to make it less stuffy and attractive to a wider public, Kanter's departure may signify Harvard's recognition that business academics aren't always the best people to run businesses in practice.

### Still kicking

■ Britain's high-minded music critics seem to have been caught off-guard, if not downright disappointed, by the fact that the 75-year-old Frank Sinatra can still thrill a Royal Albert Hall packed with folk looking for

something more than a trip down memory lane.

Ready to gloat at the dimming of the old blue eyes, the critics seemed to have their worst prejudices vindicated by the presence of banks of autocues, not to mention an in-ear hearing aid. On his first night in London of this heavily flagged European tour, Sinatra managed to introduce his wife, seated in the audience, twice over, and later tried to leave the stage by the wrong exit.

But even his detractors could not be awed by the vast stage presence, and the, as ever, impeccable sense of timing. An ageing voice jarred more in the spoken asides than when he sang.

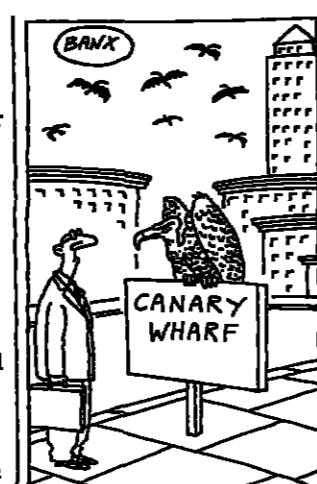
Anyone with the temerity to argue Sinatra should have put his feet up long ago might care to compare his current rendering of "Witchcraft" with that of a 1957 recording, re-released on CD - the considerably more youthful version, bland, even banal, certainly with none of the beguiling quality that so captivates today.

### On the move

■ Did the Cadbury report say anything about putting staff convenience above shareholder value?

■ Adrian Cadbury's review of corporate governance this week happened to coincide with an announcement from his old stable Cadbury Schweppes that the sweets and drinks manufacturer is on the move. Having outgrown its corporate headquarters near Marble Arch - Connaught Place, which it owns - it is trading up some to Berkeley Square in the heart of Mayfair, at a tidy £55 per square foot.

Challenged about this apparent extravagance in the midst of Britain's gathering property crisis, the company says it thinks it has an



excellent deal, including an unspecified rent-free period. While it looks "around the M25 corridor", it prefers the West End: one of its primary concerns is not to uproot its staff. It adds that it is looking forward to the big cash flow boost from the sale of the old building - "when the market picks up".

### L of a reason

■ Venture capital director Stephen Hill permitted himself a small, wry smile yesterday as news broke that Canary Wharf was going into administration.

Hill, managing director of LICA Development Capital, a "boutique" venture capital company, had just dusted down an investment assessment he produced in 1984 for his then boss Bill Norris, the legendary founder of Control Data.

The American computer group was thinking of setting up a new UK Business and Technology Centre where resources and facilities are shared.

Hill's boss was not best pleased by his verdict that the

centre would not be viable in the short term and things would only get worse in future.

The November 1984 report

quoted the UK property

industry adage that there are

three main ingredients for a

successful development:

"location, location and

location".

Control Data indeed decided

not to go ahead and dropped

its option on a development

site.

It was later snapped up by

none other than Olympia &

York - for Canary Wharf.

As fireworks flashed and balloons soared close by London's Canary Wharf yesterday, overseas visitors may have been prompted to think the Brits at least take business failures bravely. That, however, would have been the wrong conclusion.

What the high-jinks marked was not Europe's biggest property development going under, but the formal launching by Dame Kiri Te Kanawa of the 7-tonne twin-hulled liner Radisson Diamond just across the Thames.

Diamond Cruise's 18,000-tonne ship was of course already afloat, having sailed up from Tilbury overnight for the naming ceremony at Greenwich. The shipowners' president, Christian Aspregan, said he'd chosen the site, with Canary Wharf's tower dominating the background, as the place "where world time begins and where we are celebrating the beginning of a new time in the world's cruise industry".

"It is a great privilege to be on this glorious ship," declared Dame Kiri as she christened each of its hulls with a bottle of champagne - a marked contrast to the bitter cup being drunk over the water.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL  
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### Kosovo's autonomy must be restored

From Sir Russell Johnston MP.

Sir, As sanctions are

imposed on Serbia and as the

possibility of using aerial and

naval blockades to restrain

Serbian aggression in Bosnia

Herzegovina and Croatia is

seriously considered, in my

view not before time, the EC

ministers must give serious

attention to the situation in

Kosovo.

The different government

structures in the two capitals

also help explain their

divergent paths. Central govern-

ment is the principal player in

both cities: their main trans-

port providers are nationalised

industries with remits set by

ministers. In Paris, though,

the powerful City government

and the Ile-de-France region -

neither with a London equiv-

alent - are powerful lobbyists

for the city's transport needs.

They also put money behind

their dreams, footing a large

part of the bill for capital

spending.

More than a third of the

region's 1991 budget of

FFr10.6bn (£1.06bn)

was devoted to transport.

The city government spends

about FF12bn on transport,

including roads, parking and a

contribution to the RATP.

The city has equal represen-

tation with the state on the

Syndicat des

Transports Parisiens (STP),

the body responsible for

public transport planning in

the capital.

The contrast with London is

stark. As the report puts it:

"Overall and comprehensive

planning of transport has been

abandoned and the operation

of the transport system has been

increasingly dismem-

bered among private devel-

opers, boroughs and counties, dif-

ferent government depar-

ments, nationalised indus-

tries and quangos."

The result? In London, the past 25

years has seen the construc-

tion of 33km of new Under-

ground/suburban track and

250km of new motorway;

in the same period Paris has

brought 137km of new track and

500km of motorway into ser-

vice. As to London's long-term



■ Seoul officials learnt an important unification lesson from Germany, Page 2

■ Congestion is getting worse so the subways are being extended, Page 4

## SECTION III

Korea has much to feel proud of but it also has ample cause for concern as the country's success has bred new problems. Whoever succeeds President Roh next February will have to face many stiff challenges, writes John Burton

## Democracy takes root

A SENSE of malaise pervades South Korea in the fifth and final year of President Roh Tae Woo's Sixth Republic. That is surprising given the considerable achievements of his administration.

Democracy has taken root and is flourishing. The influence of the military, which dominated post-war politics, is declining and none of the presidential candidates has a military background. Labour and student unrest is subsiding as Koreans exercise their democratic powers – most recently by almost denying the government a parliamentary majority in the National Assembly elections in March.

The economy is still one of the world's fastest expanding, with an expected growth rate of at least 7 per cent this year and a 8.4 per cent gain in 1991. Gross national product and per capita income nearly doubled in the past five years.

South Korea is winning its own cold war with North Korea, which is suffering growing economic problems as it becomes isolated in a non-communist world. Tensions are gradually easing on the peninsula as the two sides take the first steps toward eventual unification.

They signed treaties last December banning nuclear weapons and promoting economic exchanges. Difficulties remain in implementing these

pacts, particularly procedures for nuclear inspections in North Korea which the US government believes may soon have its own bomb. But there is optimism in Seoul that closer co-operation between the two Koreas is not far off.

The reason why Koreans are worried, in spite of these favourable developments, is that the country is breeding a new set of problems.

Rapid economic growth is fuelling inflation and raising wages, which is eroding South Korea's international competitiveness. Policy decisions are taking longer to reach as the strength of the democratic opposition increases. The unification process threatens to place a heavy financial burden on Seoul.

Whoever succeeds President Roh next February and inaugurates the Seventh Republic will have to tackle these challenges as South Korea reaches a historical turning point. This is the completion of the country's transformation from a developing nation into a mature economy. But the transition is provoking new questions and doubts about Korea's future.

The next stage in the country's development is less easy to predict with confidence. Talk about Korea becoming the next Japan has become muted. Instead, attention is focused on whether South Korea can maintain the momentum that



The traditional face of Korea is now much less familiar in a rapidly developing society. A further period of possibly tumultuous change is in prospect

has made it the world's 15th largest economy. The answer will largely depend on whether South Korea succeeds in restructuring its industry.

The development of competitive advanced technologies and the establishment of profitable businesses in areas where the country can enjoy a strong competitive advantage are necessary to support its export-dependent economy.

The country must reduce its dependence on light manufacturing and heavy industries, which prospered on cheap labour.

South Korean wages are no longer low and are the second highest in Asia after Japan. This reflects the growth of organised labour following the introduction of full democracy in 1987 and the strong negotiating power workers have in an economy marked by labour shortages.

Korean companies have the breathing space to make the

necessary adjustments to their industrial structure. They are establishing factories in other low-wage Asian countries, including China and Vietnam, to keep production costs under control. Korea is targeting Asia to balance the loss of market share by some sectors in the US and Europe. South-east Asia may soon surpass the US as Korea's biggest export market.

South Korea's family-owned business groups, or chaebol, must be careful not to allow their successful expansion in Asia to dissuade them from undertaking the difficult task of reforming themselves.

The chaebol, which dominate the Korean economy, have been the main engines behind the country's industrialisation since the 1960s and their growth was fuelled by cheap government loans. But the government believes that they have become too large and unwieldy, with their activities

spread across a wide range of industrial sectors. Credit restrictions have been imposed to force the chaebol to specialise and improve their efficiency, but to little avail. Although the chaebol complain about increased financing costs as a result of the credit controls, they still borrow and invest too much in unproductive assets, the government claims.

Allowing the chaebol unlimited access to foreign loans could also encourage investments. Foreign investors are cautious about lending to the chaebol because they have high gearing ratios, a legacy from their days of easy credit. Selling assets would lower the chaebol's debt burden and attract international lenders.

However, the government is reluctant to give up its control over the economy and, in particular, command of the financial system. The strong role of the state in economic management has characterised South Korea's

Although government intervention proved effective in building up Korean industry, it is producing harmful side effects as the economy matures. For example, the government's powerful influence on the financial system has led to distortions in credit allocation, hampering the development of entrepreneurial small and medium businesses.

The government is committed in principle to financial liberalisation by 1997, but scepticism remains whether that deadline will be met. Deregulation and liberalisation would mean the acceptance of greater foreign involvement in the Korean economy. That is a large psychological hurdle for Koreans, who distrust outside interference, to overcome.

The pace of economic liberalisation will be determined by the unification process, which could produce contradictions in government policy. If South Korea is forced to absorb North

## IN THIS SURVEY

■ The presidential battle: A tale of two Kims; ■ Trade: The Chinese threat is a new one Page 2

■ Reunification: Seoul avoids haste as it ponders its German lessons; ■ The economy: Aiming for a triple seven Page 3

■ Stock Market: Why it remains subdued; ■ Industry: The advantages of North-South links; ■ Population: The world's fifth city; ■ The Infrastructure: Obstacles to growth Page 4

■ Industry: In search of a wider technology base; ■ Motor Industry: Manufacturers are striving to reduce their dependence on foreign suppliers Page 5

Korea in the next few years as a result of a political upheaval similar to that which occurred in Germany in 1989. Seoul will have to rely on foreign capital and industrial investments to help it revive the north.

This is one factor that could accelerate liberalisation. But Korea will become a more self-absorbed country as it tackles the immense task of unification. The government may argue that economic controls are still needed to co-ordinate state and corporate efforts in rebuilding North Korea.

South Korea's next president could confront perhaps the most tumultuous period in the country's history since the Korean War if unification occurs soon. Korea's great strength is the strong sense of national purpose that emerges in times of crisis, but that sentiment could rest uneasily with Korea's need to finish internationalising its economy even as it becomes reunited.



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## KOREA 2

The presidential battle is warming up

## A tale of two Kims

IT IS fairly easy to predict who will be South Korea's next leader. He will be called President Kim, a former dissident leader and a perennial aspirant for the post. He stood in the 1987 election and lost, but saw his determination rewarded in the 1992 polls.

The only question that prediction fails to address is which President Kim it will be: Mr Kim Young Sam, the presidential candidate of the ruling Democratic Liberal Party (DLP), or Mr Kim Dae Jung, the nominee of the main opposition Democratic Party (DNP).

The answer is likely to be determined by the performance of a third candidate in the presidential race at the end of June. He is Mr Chung Ju Yung, the billionaire founder of the Hyundai business group who recently established the Unified National Party (UNP).

Conventional wisdom suggests that Mr Kim Young Sam still has the best chance to gain entry into the presidential Blue House. One factor favouring him is the 38.5 per cent vote share the DLP received in the National Assembly election in March, the largest of any political party.

The parliamentary results indicated that support for the government may be even wider. Most of the elected independents, who received 11.5 per cent of the vote, were pro-government conservatives who had lost the DLP nomination in their constituencies.

Mr Kim could receive half of the votes if the parliamentary voting patterns are repeated in the presidential election. A plurality of votes is needed to be elected president. President Roh Tae Woo, who is constitutionally barred from standing again, won with 36 per cent in 1987 against the two Kims.

The irony with this analysis is that the DLP suffered a humiliating setback in the National Assembly ballot, as their dominant parliamentary position was reduced to a bare majority in the 292-seat legislature. This reflected public dissatisfaction with the faltering economy.

The loss could have cost Mr Kim, who managed the parliamentary campaign, the DLP presidential nomination. But he threatened to defect with his 25-member legislative faction from the DLP, which would have deprived the government of its parliamentary control, if he was denied the nomination.

His only challenger, Mr Lee

Jong Chan withdrew from the race after alleging that pressure was being exerted on delegates by the party's leadership to support Mr Kim. Mr Lee, a popular MP from Seoul, is considering an independent bid that could erode Mr Kim's support and could split the DLP.

Mr Kim's great strength is that he represents stability and continuity, which still appeals strongly to Korean voters in spite of their growing disenchantment with the political establishment. His political base is the port city of Pusan in the south-eastern Kyongsang region, the area that has produced all of South Korea's political leaders.

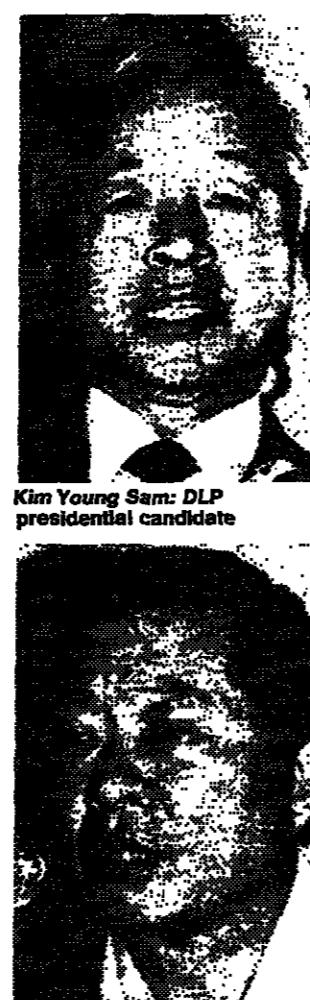
Regionalism is highly influential in Korean politics. It appears certain that a President Kim, due to his political weakness within the DLP, would keep in power the senior bureaucrats recruited by President Roh from his native Kyongsang city of Taegu.

Mr Kim's handicap is that he has become unpopular due to his political machinations in the last few years. The one-time opposition leader merged his Reunification Democratic Party with President Roh's party to form the DLP in 1990. This helped give the government a parliamentary majority, a position it had lost two years previously.

The apparent incentive for Mr Kim's action was a promise that he would be the DLP presidential nominee in 1992. But the public viewed Mr Kim's support of the government as a negation of their democratic will expressed in the 1988 National Assembly elections, a factor that contributed to the DLP's setback in March.

Mr Kim could become a victim of rising public cynicism about the country's political leadership. One recent poll revealed that more than half the public was dissatisfied with the two established political parties. It is the main reason why Mr Chung's UNP has attracted considerable support in the few months since its creation. DLP officials fear that Mr Chung's candidacy will split the conservative vote, delivering the election to Mr Kim Dae Jung.

Mr Chung is an unlikely can-



Kim Young Sam: DLP presidential candidate

Kim Dae Jung: nominee of the opposition Democratic Party

promises to reduce housing rents and reverse South Korea's trade deficit with Japan, the country's former disliked colonial master. He pledges to reform the financial system that has benefited his family.

Although government efforts to curb the chaebol are one reason for Mr Chung's new political role, he has recently spoken in favour of limiting their economic power. That sentiment sits uneasily with the UNP's avowed goal of reducing the state's economic controls.

"It isn't business that should be regulated, but government," said Mr Chung Mong Joon, a son of Mr Chung senior and one of the 32 UNP members in the National Assembly.

Mr Chung's appeal reflects national pride. His rags to riches story personifies South Korea's phenomenal growth in the post-war period. He has successfully contrasted the rapid rise of Hyundai into the country's biggest exporter with the government's patchy record on inflation and the trade deficit. "Many Koreans want to elect a strong leader who will give the country a sense of purpose like President Park Chung Hee did with his industrialisation programme 30 years ago. They see that figure in Chung Ju Yung, who had good relation with Park," said one Western diplomat.

The government's recent attempt to punish the Hyundai companies and the Chung family for alleged financial violations has increased Mr Chung's popularity since it casts him in the role of underdog vis-à-vis the political establishment.

The purpose of the government's harassment campaign was to prevent Mr Chung from using Hyundai's considerable financial and personnel resources in his campaign. Some DLP members concede that action was a strategic error. "We should have tried to accommodate him instead of alienating him," said one party official.

That mistake may come back to haunt the DLP if Mr Chung siphons off enough votes from the ruling party to deprive it of another term in the Blue

House. The UNP's voting strength in the National Assembly should make the DLP worry. The UNP transcended political regionalism by doing well in all sections of the country except for the south-western Cholla region, the stronghold of the Democats.

Mr Chung's fortunes could still dim if Koreans decide that they don't want to see big business replace the military as their rulers. It is likely that the other chaebol, fearful of the political influence that Hyundai could have, will persuade their large workforces to not in their best interests to vote for the UNP.

However, there is little doubt that Mr Kim Dae Jung would be pleased to see Mr Chung continue to chip away at the DLP's strength. The Democrats also benefited from discontent with the government in the National Assembly elections. The party gained 29.2 per cent of the vote, with a strong showing in Seoul in addition to its Cholla base, and increased its parliamentary representation to 97 seats.

Mr Kim is doing his best to correct the erroneous impression the result of the former military government's propaganda, that he is a leftist. His position papers are moderate in tone and he is unlikely to introduce radical reforms if elected president.

The prospect of sitting in the Blue House is even encouraging him to mend relations with the military, who kidnapped and nearly executed him in the 1970s. Although the prospect of a military coup if Mr Kim is elected has probably diminished for good in the new democratic South Korea, he is taking no chances by recruiting former generals into the Democratic Party.

Mr Kim Dae Jung faces the same problem as the other Mr Chung of being an old face on the political stage. His wisest course would be sit back and hope that the DLP and the UNP tear each other apart, leaving him to pick up the spoils on election day.

Mr Kim should not rest too easily given the notorious fluidity of Korean politics. Some analysts expect that Mr Chung, concerned about the possible election of Mr Kim, may eventually withdraw from the race and give his support to Mr Kim Young Sam in return for political favours.

John Burton

## TRADE

## Threatened by China

KOREANS have long been used to living between a geopolitical hard place and a rock, squeezed as they are between China and Japan. They are now finding to their dismay that the trade position with these two big neighbours is equally uncomfortable.

Japan alone accounted for 90 per cent of South Korea's \$3.6bn trade deficit last year, confirming that industry remains dependent on Japanese equipment and components in spite of efforts to diversify suppliers. A 2.1 per cent drop in the value of exports suggests that South Korean companies are finding it hard to compete in Japan against Japanese branded goods made in south-east Asia.

The Chinese threat is a new one, with low-cost goods making inroads into Korea's domestic market as well as undermining its exports to Japan and elsewhere.

A loss of market share in some sectors in the US has added to Korea's discomfort, and there is little prospect of early relief from Washington's allegations of dumping and complaints about market access.

A partial solution to these problems is one factor behind increased Korean interest in direct investment in Europe, according to Dr Moon-Soo Kang of the Korea Development Institute. He believes businesses "are beginning to understand that they need a presence in the EC" to complement trade links.

Mr Anouil has detected a change in attitude, and says "most of the big companies accept that trade and investment now go hand in hand".

The number and size of Korean investments in Europe are relatively low. Official figures show that Europe accounted for only 112 of the 1,463 direct foreign investments made by Korean companies up to June 1991.

The high cost of western European labour, even relative to the US, accounts for some of the reluctance on the part of Korean companies to invest in the EC. The opening up of eastern Europe, on the other hand, has generated a good deal of interest.

This is explained in part by the fact that the Seoul government has been keen to make inroads in countries which had formerly maintained close relations with North Korea. Added to this has been the prospect of using eastern Europe as a low-cost assembly and production centre, primarily for exporting into the EC.

Some feels have materialised, such as Samsung's decision to build refrigerators in Czechoslovakia. But Mr Anouil says many Korean companies are having second thoughts about rapid expansion in eastern Europe.

Financial constraints, including high domestic interest rates and restrictions on overseas borrowing, are considerable. In addition, the Seoul government has rejected business requests for support to enable them to participate more extensively in eastern European privatisations.

The parlous state of some eastern European industries is a deterrent. Samsung Electronics, for example, continues to study prospects in the region, but it has determined not to set up production facilities in a country without a basic electronics industry, no matter how low the wages are.

The lure of the US is proving hard to break. Mr Joon-Suk Jung, director of MTT's Europe division, says Korean companies still find the "US much easier compared with the EC, let alone eastern Europe".

An early economic recovery in the US could slow the diversification drive, although it is unlikely to reverse it. The persistence of potentially disastrous trade disputes with the US, such as the latest allegation that Korean semiconductor manufacturers are dumping memory devices in the US market, is an incentive to maintain the policy.

So is the possible message behind the recent loss of market share in the US and Japan. As a Western diplomat said: "A country's performance in the free business environment of the US measures its current competitiveness, while the performance in Japan tells you how it will do in future."

Robert Corrigan

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THE two Koreas are agreed on one subject: they both want to avoid North Korea being rapidly absorbed by the South.

It is ironic that officials in Seoul, who once hoped for a quick downfall of the Pyongyang government, now have an interest in preserving it for at least another decade while the two Koreas gradually integrate.

"We may once have wished for the North Korean government's instability, but then we saw what happened between East and West Germany. We have learned our lesson," said Mr Yu in Teak, who is a director of analysis at the National Unification Board, the cabinet-level agency responsible for

## ECONOMY

### The target is a triple seven

OPTIMISM is increasing that South Korea's overheated economy is gradually cooling down. Although the country had an enviable growth rate of 8.6 per cent last year, the brisk economic activity fuelled a high inflation rate of 9.7 per cent, steep market interest rates of 17.8 per cent and a widening current account deficit of \$8.5bn as import growth outpaced exports.

These are worrying statistics for a country whose livelihood is heavily dependent on exports in spite of the growing importance of the domestic market. South Korea's international competitiveness has been eroded in the last five years by a jump in wages as workers sought to keep up with higher consumer prices and climbing housing costs.

The inflationary pressure was fuelled by an expansion of the money supply.

However, the government claims that 1992 will mark the turning point in regaining control. "The Korean economy is in a process of readjustment. We are not pessimistic about its prospects," says Mr Kim Chong-in, a legislator who recently served as the senior presidential secretary for economic affairs.

The Economic Planning Board (EPB), the main economic policy agency, speaks of achieving a triple seven economy this year, meaning a 7 per cent growth rate, 7 per cent inflation, and a \$7bn current account deficit. That assessment can probably be dismissed as election talk and even the government is hesitating to adopt these targets as its official goal.

There are encouraging signs that South Korea is approaching the EPB guidelines, although still falling short of them. The economy grew by

**The government must resist increasing the money supply in an election year**

7.6 per cent during the first quarter. The inflation rate of 2.6 per cent during the period was almost half that of the 4.9 per cent rate a year ago. The current account deficit shrank by 14 per cent to \$32bn as the growth in exports surpassed that for imports, narrowing the trade deficit by 23 per cent to \$2.5bn.

The Korean Development Institute (KDI), the government-affiliated research organisation, recently revised its forecast for the year based on the favourable first-quarter results. It predicts a gross national product growth rate of 7.5 per cent, an inflation rate of 8.7 per cent and a current account deficit of \$4.5bn. But some of the reasons for the improvement should still make government officials pause.

The slowdown in economic growth is mainly due to cut backs in fixed investment rather than personal consumption. The government has clamped down on the construction spree, which was a main source of economic expansion in the last few years. The state is curtailing residential investments following the completion of its three-year programme to construct 2m housing units, while commercial and infrastructure projects are less affected by investment restrictions.

The growth rate in construction is expected by the KDI to be halved to 5.4 per cent this year. The growth in industrial investments is declining from a rate of 12.8 per cent in 1991 to an estimated 9.7 per cent in 1992, reflecting the economic slowdown and high interest rates. This follows several years of healthy industrial investments as Korean companies sought more automation in their factories.

The growth in personal consumption remains stubbornly high, with the KDI predicting an increase of 8.8 per cent against a 9.2 per cent rise in 1991. The government has vainly sought to curb consumer spending, which has

relations between the two Koreas.

The South Korean government sent dozens of study teams to Germany in the wake of its reunification. It convinced Seoul that a rapid takeover by South Korea of the north, if it suddenly collapses as its economic problems mount, would be disastrous.

"Our economy couldn't cope with a quick unification," said Mr Yu. "We may once have wished for the North Korean government's instability, but then we saw what happened between East and West Germany. We have learned our lesson," said Mr Yu in Teak, who is a director of analysis at the National Unification Board, the cabinet-level agency responsible for

Mr Tae Hwan Ok, the director of research at the Research Institute for National Unification, the government advisory agency on the unification issue.

Mr Ok estimates the cost to South Korea of supporting the North at between \$30bn-\$50bn annually during the first decade if unification occurred soon. He said that unification should take place until at least 2020 if Seoul wanted to avoid adverse economic consequences.

Although Mr Ok's analysis is more pessimistic than most, other studies have concluded that South Korea would pay a heavy price for early unification. The Economist Intelligence Unit (EIU) conservatively estimates that South Korea would have to spend between \$15bn-\$25bn annually in the 1990s to improve North Korea's industrial base and infrastructure and provide social services.

A report by the Korean Development Institute (KDI), the government-affiliated think tank, concluded that even if unification were postponed until 2001, the Seoul government would need to spend \$240bn during the following decade to support an unformed North Korea.

"Unification presents us with more difficult problems than it did to Germany," said Mr Ok. South Korea's population is only twice the size of the North's, while West Germans outnumbered East Germans by 4:1. North Korea's industrial structure is much worse than East Germany's, while the rebuilding of its road and rail network will take longer because of North Korea's mountainous terrain.

be blunted as they concentrated on developing industries in the north.

There is concern about the psychological gap between the two Koreas. The isolation of North Koreans, who have almost no access to information from abroad, means that the difference in attitudes between North and South Koreans has become immense," said Mr Yu.

The daunting task that awaits South Korea is to persuade officials that gradual unification is the only course. They claim that the public feels the same way. "Reunification is a sensitive and volatile issue because there is a strong emotional urge to see our country become one again," argued Mr Kim Hakjoon, the chief press secretary for President Roh Tae Woo. "But the German example has given the people a more realistic attitude toward reunification."

The government believes the pace of economic integration will accelerate once the issue of North Korea's nuclear programme is resolved. "North Korea will not be able to withstand the diplomatic pressure being exerted from all sides to open its nuclear facilities to full inspection. We expect the nuclear issue will no longer be



Friendly gesture: South Koreans crossing into the north

an obstacle by the end of the summer," said Mr Kim.

Economic co-operation would consist of growing inter-Korean trade, participation in infrastructure projects such as development of the Tumen River basin, and the establishment of South Korean light manufacturing factories in North Korea.

This should improve North Korea's industrial base and lead to higher living standards, which are one-fifth of those of South Korea on a per capita of gross national product basis.

The KDI predicts that if sufficient economic progress is made in North Korea, then unification in 2001 would cost the Seoul government about \$90bn by 2010.

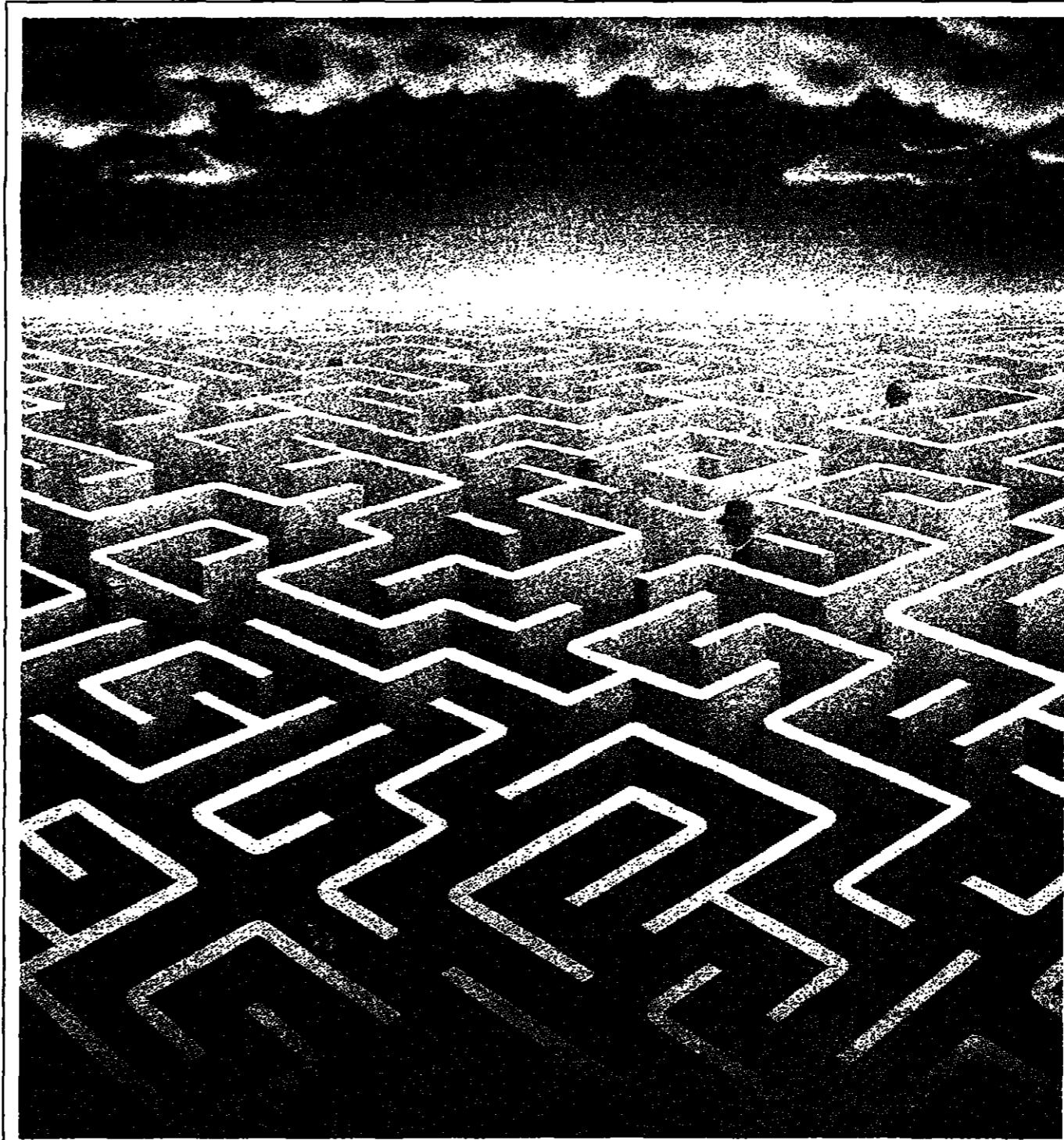
The opening of the North Korean economy would be

accompanied by moves toward a confederal linking of the two Koreas. Controls would be maintained on labour movements between the two halves of the peninsula during this transition phase, while the two currencies would remain separate but traded at a fixed rate.

Political co-operation would eventually lead to *de jure* unification after the turn of the century.

The success of this plan outlined by Seoul depends on the North Korean government reforming itself in step with the economy, while the population remains patient with the slow improvement in their living standards. Economic reform would not unleash the popular uprisings that characterised the eastern European bloc in 1989-91 because the

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## KOREA 5

Jewellie Lin

SOUTH KOREA'S rapid rise to a position in the world's top league of semiconductor producers is testimony to its ability to acquire, develop and manage high technology. Yet having scaled such technical heights in one of the most demanding industrial fields, it is in danger of lagging behind its competitors in the deployment of technology in the more mundane industries that make up the bulk of its export sector.

"Increasing the level of technology in every field of industry is our top priority," says Mr Chol Gak Kyu, deputy prime minister and head of the Economic Planning Board. "Every industry needs to upgrade its technology. We must deepen our industrial structure by substituting domestic output for imports of components and materials."

**The big companies' profits went mostly into speculative property and stock-market dealings**

That industry is intent on applying more technology to offset higher labour costs is evident from a surge in factory automation equipment imports, much of it from Japan. These have been rising at annual rates of 20 per cent or more in recent years, according to government statistics, and could amount to more than \$1bn in 1992.

Is there any doubt that technology transfer forms a part of virtually every industrial deal with foreign companies, though some observers

doubt whether that such technology is always fully absorbed and efficiently employed.

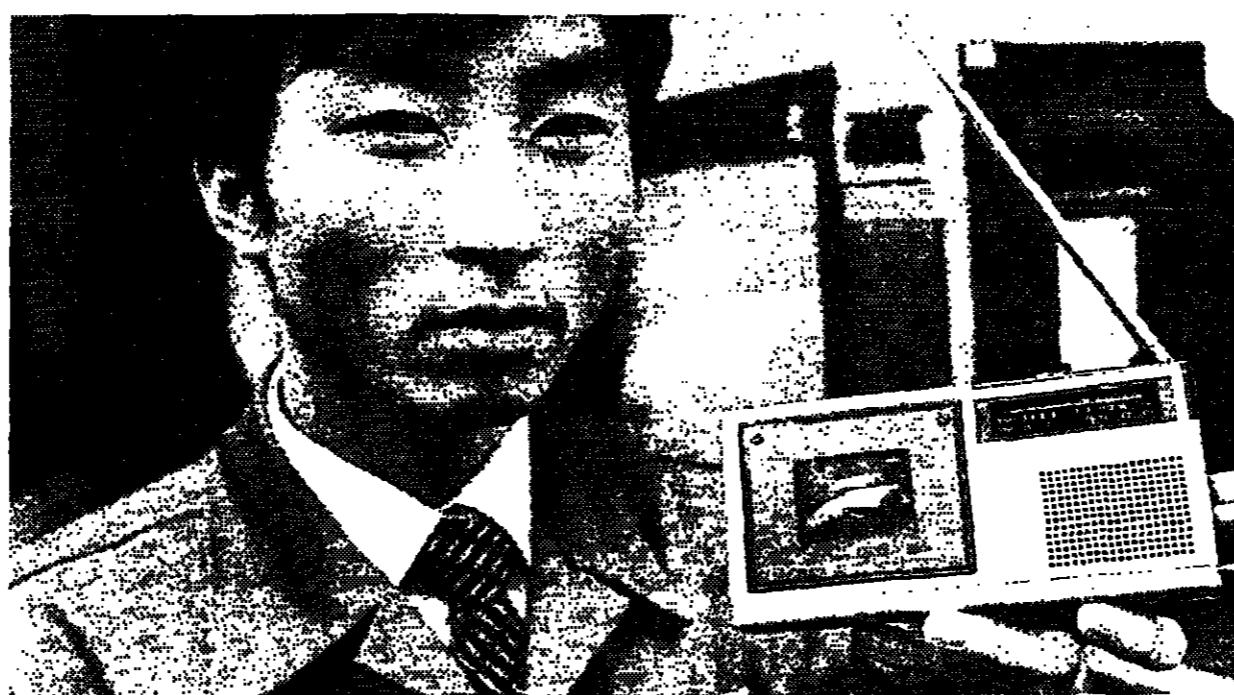
The growing network of government research laboratories boasts "many people who are as good as any in the world", according to western diplomats. And industry spending on research and development has risen sharply in recent years.

But there are question-marks over the corporate sector's R&D efforts. Some observers point to the behaviour of many of the big companies in 1986 and 1987, when they were flush with cash. The profits then went mainly into speculative property and stock market dealings rather than into R&D.

Some Korean companies, such as Samsung Electronics, have earned international reputations for being at the cutting edge of semiconductor technology. But the evidence is less clear that companies across the board are investing the very large amounts in pure research and product development which would be needed to lessen their ties to foreign, and especially Japanese suppliers of components and high value equipment.

Mr Duck Soo Han, director general of the industrial policy bureau at the Ministry of Trade and Industry, accepts that the "technology gap won't be solved easily". But he contends that a combination of tax incentives, a government plan to encourage collaboration and the importation of key foreign technologies will help.

In addition, the government has identified strategic industries which it believes will be the basis for South Korea's



A two-inch flat screen from Samsung Electronics which is trying to lure back Korean-Americans to keep its technological lead

### Industry seeks a wider technology base

## Sharper edge needed

future competitiveness. These include the following:

- new generations of semi-conductors, including the development of a 64 Megabit Dram by 1993 and a 256 Megabit Dram by 1996;
- development of a variety of high definition television equipment, including HDTV;

monitors by 1992, transmission technology by 1994 and flat panel displays by 1997;

- the commercialisation of a multi-media computer by 1994.

Some critics, however, contend that the government plan is over-ambitious. One European engineer familiar with the HDTV programme, for

example, believes that "only a half a dozen Korean engineers really understand the technology."

Mr Choi denies that the high technology effort is spread too thinly, noting that Korea's priorities fall well short of those in more developed countries, where the emphasis is on "fine

chemicals, aerospace, biotechnology and new materials". He adds that "decisions on R&D projects should equally consider economic viability as well as technological feasibility."

The relatively thin layer of engineering talent in the country has caused some companies to search widely for new

**SOUTH KOREA'S car manufacturers offer a case study of the challenges which face the country's industry as a whole. All need to upgrade technology, lessen dependence on foreign suppliers, diversify markets and establish new relationships with their labour unions. And they need to overcome a period of economic uncertainty, both at home and in their main export markets.**

**The myriad alliances, technical co-operation agreements and joint ventures that bind Korea's carmakers to the world's leading manufacturers will remain a hallmark of the industry for years to come. The advent of an "all-Korean" car created from a "clean sheet of paper" will have to await the next century," says one western expert.**

**The motor industry is striving to reduce dependence on foreign suppliers, writes Robert Corzine**

## The All-Korean car is still some way off

But the need to reduce dependence on foreign, and particularly Japanese partners or suppliers for everything from basic designs to key components is a priority for all manufacturers. So, too, is the need to move away from a manufacturing bias, towards greater emphasis on higher value activities such as design and product development.

Such a task will be neither easy nor cheap. "Unlike Japan, Korea has only pockets of automotive expertise", says Mr John Lyle of the UK's Haw-

tel Whiting Group of consulting engineers. "When we started (in Korea) we noticed our clients' engineers did not gain much by studying the

'Unlike Japan, Korea has only pockets of automotive expertise'

design process because priority was given to developing products quickly." However, companies such as

Hyundai, the industry leader, have invested heavily in research and development facilities, where "massive teams are using state-of-the-art technology to develop new vehicles," according to Mr Lyle.

He predicts that the effort will result in "a new range of Korean products in the next five years", including light commercial vehicles and heavy trucks. "They will all be new designs or vehicles based on better platforms than exist now," he says.

The emphasis on independent projects stems in part from Korean dissatisfaction with the high cost of royalties paid to foreign suppliers and the limitations of technology transfer through the main international alliances in the industry - Hyundai with Japan's Mitsubishi, Kia with Ford and Mazda and Daewoo's now-defunct link-up with GM.

But few observers expect that Korean companies will be able to catch up in all areas. "Great advancements have been made," says Mr Dong

Wha Lee, director of the Korea Automobile Manufacturers Association, who cites the introduction last year of a Hyundai-developed engine.

**Less environmentally damaging cars are beyond Korea's technical capabilities**

and similar programmes in place at Kia and Daewoo. But he concedes that the industry "still lags behind" its interna-

their image in key export markets, though that effort suffered badly when labour disputes affected the build quality of Hyundai cars sold in the US.

Mr N.M. Kim, Hyundal's managing director for export marketing, acknowledges that "we have a perception problem in the US", where export sales dropped from 260,000 units in 1986 to a current rate of just over 120,000 a year.

But he argues that the launch of the Elantra, which some experts describe as "Korea's first good car", will improve Hyundai's US image. Mr Kim also believes that Korean manufacturers must move away from the "price-value market strategy", which has focused on undercutting the price of rival products.

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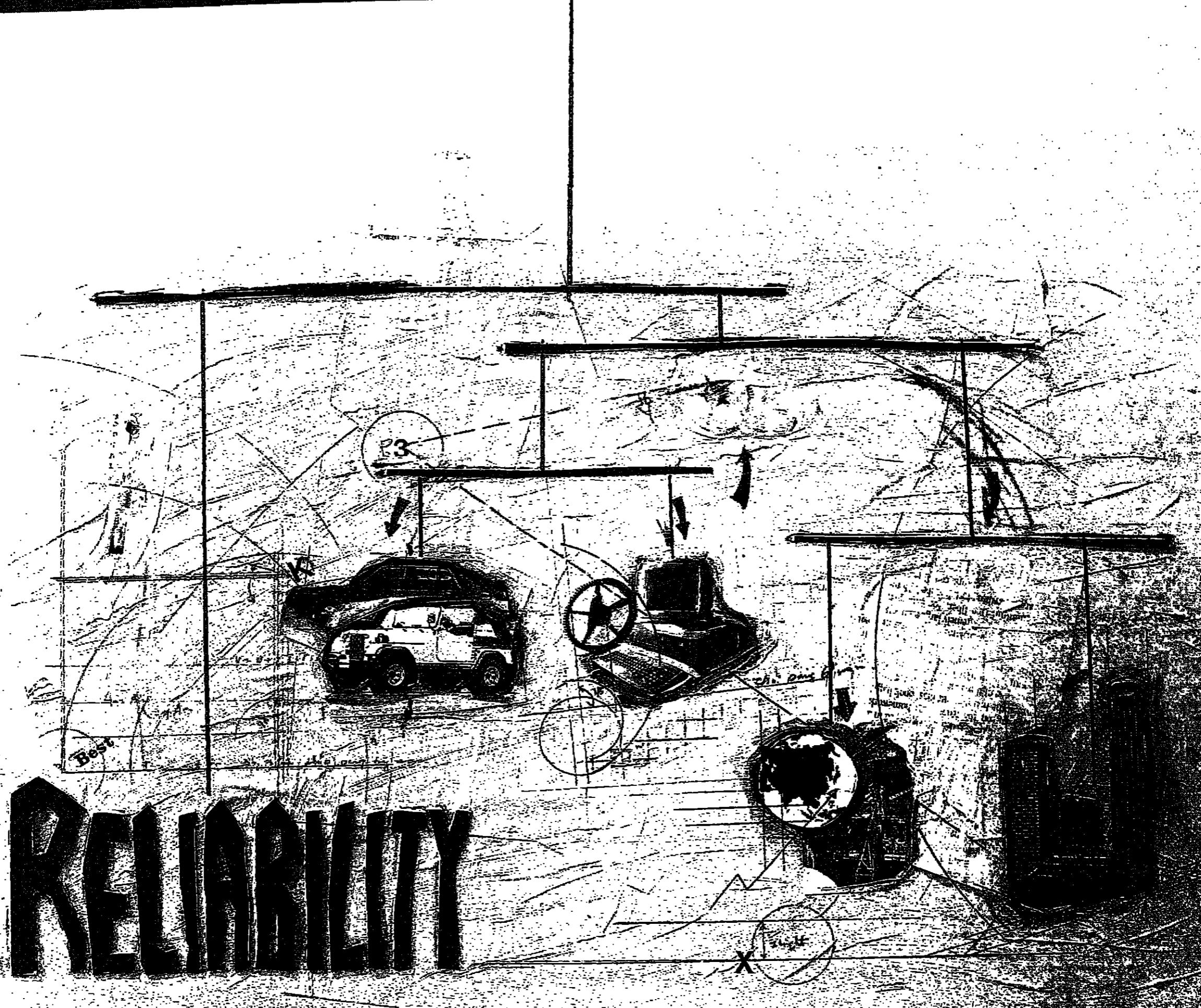
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INSIDE

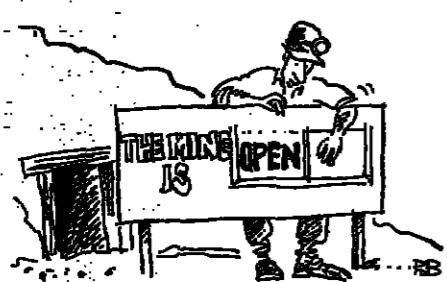
JAL swings into loss of Y6bn for year

Japan Airlines, the country's leading international carrier, yesterday reported a pre-tax loss of Y6bn (\$46.1m) for fiscal 1991 due to a slump in foreign business travel and rising operating costs. JAL, which had a profit of Y24.5bn in 1990, forecast it would break even in the current fiscal year. Meanwhile, All Nippon Airways, Japan's largest domestic airline, announced pre-tax profits down 11.6 per cent to Y22.4bn. Page 20

Sprint tries to rally support

Sprint, the US long-distance telephone company, and Centel, a large Chicago-based local and cellular telephone company, were yesterday battling to counteract investor hostility to the \$2.8bn merger they announced on Wednesday night. Page 19

Reopened for business



It's hard to keep a good mine down. Malaysia's Sungai Lembing tin mine is just that. Abandoned during the Japanese military occupation, it was reopened at the end of the Second World War but was closed again in 1987. But with the recent recovery in tin prices, a Chinese-Malaysian partnership has reopened the mine and has long-term plans to bring the entire complex back into operation. Page 32

Canadian manoeuvres

Far from rejoicing, Canadian banks are hopping mad. Vigorous lobbying by the insurance industry has resulted in last-minute changes to next Monday's financial service reforms — which were meant to signal the entry by the banks into the insurance and fiduciary services. For once, the Canadian banks appeared to have been outmanoeuvred in their political lobbying. Page 21

M&G pre-tax profits up 9.5%

M&G, the UK fund management group, yesterday announced a 9.5 per cent increase in interim pre-tax profits to £19.9m (£35.8m). Funds under management were £23.64bn compared with £20.01bn at September 30, largely reflecting poorer stock markets. Mr Paddy Linaker, managing director (left), said unit trust sales were poor, with redemptions of £203m outweighing sales of £156m. Page 25

South-West Water rises 2%

Price increases and cost-cutting helped South-West Water, the UK regional water company, achieve a 2 per cent rise in pre-tax profits last year, after spending £173m (£311m) in the third year of a £2bn capital investment programme. Page 24

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Chief price changes yesterday			
TOKYO (Yen)			
Kodak	57.5 +	1% Ask	515 + 44
PepsiCo	35.5 +	1% Hots Tax	235 + 16
General Mills	55.5 +	1% Head Glass	550 + 60
Castrol	31.5 - 10%	1% Jed	830 + 100
McCart	26.5 -	2% Shikoku Chem	600 + 49
Sprint	22.5 - 1%	Shiroi	484 + 45
New York (\$)			
Philip Morris	57.5 +	1% Cable & Wels	575 - 13
AT&T	120 +	2% Carlo Nicl	17 - 4
AT&T Selection	112 +	2% Expedia	6 - 12
Allied-Lyons	45 +	3% P & O Oild	517 - 12
Amoco	807 +	2% Ramers	15 - 14
Amstrad	15 +	4% Daimler-Benz	67 - 1
Archer (AJ)	40 +	5% Siebe	724 - 27
British & American	59 -	7% Shearwater	812 - 1
British Gas	228 -	30% Tishack	429 - 29
Aster Day	59 -	30% Wartberg (SG)	571 - 15
London (Pence)			
Philips	5.5 +	1% Cable & Wels	575 - 13
Academy	120 +	2% Carlo Nicl	17 - 4
Amoco	112 +	2% Expedia	6 - 12
Archer (AJ)	45 +	3% P & O Oild	517 - 12
BAT Industries	807 +	2% Ramers	15 - 14
Betamax	15 +	4% Daimler-Benz	67 - 1
Feedback	40 +	5% Siebe	724 - 27
Ford	59 -	7% Shearwater	812 - 1
Aster Day	228 -	30% Tishack	429 - 29
British Steel	77.5 -	5% Wartberg (SG)	571 - 15

Plunge in Tokyo financial markets, bad loans and higher costs take toll at year-end

Profits continue to fall at Japanese banks

By Stefan Wagstyl in Tokyo

Ministry of Finance estimates which were published a month ago in order to reassure investors and financial company managers about the health of Japanese banks.

Combined bad-debt provisions rose fivefold to Y344.1bn. The levels remain low in relation to estimates circulating in Tokyo of total bad and doubtful loans, including loans made to the troubled Japanese property market.

The finance ministry has estimated publicly that the 21 largest Japanese banks (including the 11 commercial banks) had bad loans of between Y7,000bn and Y8,000bn at the end of March. This covers loans on which interest has not been paid for six months or more.

Other estimates have run as high as Y30,000bn and more. However, these estimates do not take account of the potential value of collateral.

JAPANESE BANK RESULTS (Yen)					
	Net business profits	% chg	Pre-tax profits	% chg	BIS ratios*
Osaka Kangyo	218.62	+44.3	145.29	-23.9	8.24
Sakura	193.25	+85.7	162.08	-4.8	7.92
Sumitomo	239.58	+13.8	221.99	-11.8	8.43
Fuji	222.79	+27.0	162.26	-21.2	8.04
Mitsubishi	212.38	+31.7	168.83	-3.3	8.20
Sanwa	272.18	+29.5	207.36	-6.5	8.10
Tokai	95.09	+27.6	94.95	-15.3	8.38
Kyowa Saitama	132.05	+24.8	95.58	-21.2	8.30
Daiwa	67.77	+34.1	62.32	-28.7	8.27
Hokkaido	34.94	+27.4	30.31	-15.0	8.26
Takushoku	34.94	+21.4	65.34	+0.1	8.10
Tokyo	175.906				

\*Capital adequacy ratios (%) on BIS final basis as at March 31 1992

Mr Ryuichi Kato, Tokai chairman, resigned his title (though not his board seat) to take responsibility for the bank's poor performance. Three other Tokai board members also resigned.

Losses on securities portfolios, at Y223.7bn, were 11 times higher in 1990-91, reflecting continuing stock market weakness.

Because banks count a portion of their stock portfolios as capital, the fall in portfolio values reduced capital reserves. As a result, there was a deterioration in banks' ratios of capital to assets calculated under Bank for International Settlements rules.

But only Sakura, with a ratio of 7.92 per cent, failed to make the 8 per cent minimum the BIS will bring into effect next year.

Meanwhile, as the bankers grapple with the problems of past loans and investments, their efforts to improve returns from current business is bearing fruit

— as shown in the increase in net business profits.

Mitsubishi Bank said the increase was due to a substantial fall in interest rates coupled to the adoption of an improved system for pricing loans and better marketing of high-margin consumer loans.

The banks, which are trying to limit asset growth to meet BIS ratios, restricted loan growth to 2.2 per cent. Loans fell at Sakura by 0.9 per cent and at the Bank of Tokyo by 1.2 per cent.

Sumitomo Bank kept its place as the most profitable bank, followed by Sanwa Bank and Fuji. The Bank of Tokyo was the only bank to post an increase in pre-tax profits, albeit marginal.

Sumitomo also retained its lead in international revenues, with the Bank of Tokyo in second place.

Strains in the banking system, Page 14

Prospect of collapse keeps Sorrell on top

Bankers debating WPP's recapitalisation have to consider the fate of the group's chief executive

WPP, the international marketing services group, gives a twist to the old adage that if you owe a bank \$10, that's your problem, but owe it \$1m and the problem is the bank's.

If it became known that, for example, Ogilvy & Mather was

advertising business. It is possible to fault Martin Sorrell, then the purchase of Ogilvy & Mather can be seen to have been a mistake. But the banks then fell over themselves to lend him the money.

That is part of the reason why Sorrell has managed to stay at the helm. Another is that he would be a hard act to follow.

According to Mr Richard Dale, analyst with Smith New Court: "Martin Sorrell is the man who does know the company better than anyone and it would be difficult to replace him. But what is necessary and would be welcomed by institutions, and probably by the banks too, would be another senior executive on the board."

There is no obvious internal candidate to replace Mr Sorrell. Mr David Ogilvy, WPP's 81-year-old non-executive chairman, spends most of his time in his chateau in France. Apart from Mr Sorrell, there are only two other executives on the board.

Mr Sorrell has

## INTERNATIONAL COMPANIES AND FINANCE

## O&Y says restructuring of parent will go ahead

By Bernard Simon in Toronto

OLYMPIA & YORK said yesterday the appointment of an administrator for Canary Wharf, the property development in east London, should not affect the restructuring of the Canadian parent company and its other assets in Canada.

Mr David Brown, who heads O&Y's legal team, told a court in Toronto the Canadian companies had sufficient funds to maintain their operations during the restructuring.

O&Y revealed in court documents that it expected to spend almost C\$17m (US\$14.1m) over the next five months on restructuring costs. Legal and accounting fees alone will make up about two-thirds of the total.

O&Y's Canadian operations were placed under court pro-

tection on May 14 under the Companies' Creditors Arrangements Act. Its US operations were not affected.

Mr Brown reaffirmed that the company would try, as far as possible, to separate the restructuring of its businesses in Britain, Canada and the US.

O&Y told the court it had lowered its estimate of its worldwide debt to C\$13.5bn from C\$14.9bn. Some C\$8.6bn of the total applies to the Canadian operations.

Various creditors have submitted a total of 19 motions to the court, either seeking to safeguard their claims to O&Y assets or to carve out various assets from the CCAA order.

O&Y and its large lenders submitted detailed proposals to the court to segregate income from the company's various Canadian buildings and invest-

ment holdings. The proposal would involve setting up 32 separate bank accounts. Balances in each account would be paid out to the creditors in July, when O&Y is due to file a detailed debt restructuring plan.

Mr Brown said the company was committed to an "equitable" sharing of funds raised from asset sales.

The restructuring cost estimates were contained in the first report submitted by Mr Bernard Wilson, the Price Waterhouse partner acting as "information officer" between O&Y and the creditors.

Mr Wilson's report provides the first public glimpse into details of O&Y's operations. It gives detailed projections for all O&Y's Canadian assets, as well as dividend receipts from its portfolio investments.

## CIBC hit by C\$860m exposure

By Bernard Simon

CANADIAN Imperial Bank of Commerce, the biggest lender to Olympia & York, has written off most of its C\$860m (US\$723m) exposure to the ailing property developer.

CIBC, which has taken a hard line in debt-restructuring negotiations with O&Y, is understood to be among the banks which refused to meet the company's request for a large new infusion of funds for Canary Wharf, the east London property development which went into administration yesterday.

As a result of the provision, the bank suffered a loss of C\$40m, or C\$2.55 a share, in

the three months to April 30, compared with earnings of C\$18.6m, or 90 cents a share, a year earlier.

CIBC said that despite the big second-quarter loss, it was confident it would be in the black for fiscal 1992 as a whole.

It has no plans to cut its dividend. The bank earned a record C\$311m in Q2.

About half the C\$860m O&Y portfolio was advanced for Canary Wharf, with the rest split between properties in the US and Canada. The bank said virtually its entire portfolio of O&Y loans was secured "in form or another".

The decisive write-down is expected to reinforce the

bank's determination to move quickly away from the O&Y issue. Mr Paul Reichmann, O&Y's co-owner and master strategist, was, until two months ago, a CIBC director.

Mr Donald Fullerton, who retires as CIBC's chairman next week, said the bank considered the provision sufficient to "cover a wide range of developments" and "put the O&Y problem" behind us".

The O&Y provision makes up the bulk of a special C\$1bn charge against CIBC's second-quarter earnings. It also

includes sour loans to the Goldberg group in Australia and provision for further losses due to weak business conditions in North America.

## Provision of C\$200m at chartered bank

NATIONAL Bank of Canada, the country's sixth largest chartered bank, says its loans to Olympia & York Developments and group affiliates totalled C\$473m (US\$384.1m) at April 30, writes Robert Gibbons.

The bank has made a C\$200m special provision for fiscal 1992 to cover possible losses. It has

also classified C\$210m of O&Y loans as non-performing.

The bank said the exposure included loans to O&Y group affiliates such as Gulf Canada Resources and Aribibi-Price as well as loans made earlier this year for work at Canary Wharf.

The impact of the O&Y provision, and strong competition in domestic markets, brought a

41 per cent fall in earnings for the second quarter ended April 30 and a 25 per cent decline in the first half of fiscal 1992.

Second-quarter profit was C\$29.5m, or 16 cents a share, against C\$50.3m, or 33 cents a share, a year earlier. First-half profit was C\$73.6m, or 48 cents a share, against C\$105.6m, or 68 cents, a year earlier.

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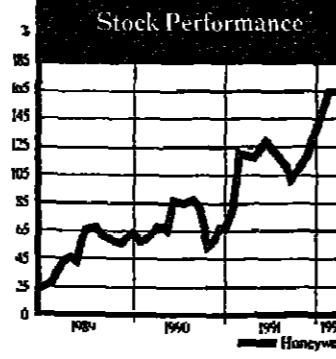
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**Honeywell**

\* Share prices can fall as well as rise. Past performance cannot be relied upon as a guide to future performance.

Helping You Control Your World

## Magna net for quarter surges to C\$30.5m

By Robert Gibbons

in Montreal

## Doing business grandfather's way

Tom Burns finds Spain's March family reviewing its investments

**T**he March family, one of the wealthiest in Spain, sits down every 15 to 20 years to think about where it is and where it is going.

As its latest strategic review draws to a close, the family has announced the sale of Banco de Progreso, its merchant bank subsidiary. The disposal will bring the family's war chest for new investments up to more than Pta70bn (US\$87m).

Some hurdles remain on the way to the rich new pastures the March clan is seeking. The family is still stuck with Uraila, a loss-making industrial holding. It also has to mould Banco Urquijo, a middle-sized and unexciting retail bank that it owns, into the vehicle for corporate business that Progreso has become.

The present minders of the family fortune are the brothers Juan and Carlos March, the grandchildren of the legendary Juan March, who gave financial backing to General Franco in the Spanish Civil War. At April 30, Magna's debt-equity ratio was 1.1:1, marking a fast turnaround from its financial crisis of 1989-1990.

**Fiat signs \$2bn Polish agreement**

By Anthony Robinson

**FIAT last night confirmed its dominant role in the Polish car industry by signing a \$2bn deal giving it a 90 per cent stake in Fabryka Samochodow Malolitrazowych (FSM), Poland's largest maker of small cars.**

The deal follows years of negotiations with the Polish company in which Fiat has already invested heavily to produce back its planned 1992 capital and exploration

programme is equivalent to one undertaken by the two brothers in the mid-1970s. Well-schooled by their father to run the family empire following the early death of their father, Juan and Carlos March have made it their mission to bring the value of having money in their pockets, which means they remain traders of companies rather than long-term, committed investors. They make a distinction between

"the way grandfather did things".

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## INTERNATIONAL COMPANIES AND FINANCE

## Investors hostile to Sprint merger proposal

Martin Dickson explains why Wall Street has not welcomed the \$2.8bn Centel deal

Sprint, the US long-distance telephone company, and Centel, a large Chicago-based local and cellular telephone company, were yesterday battling to turn back a wave of investor and Wall Street hostility to the \$2.8bn merger they announced on Wednesday night.

The deal put a value on Centel far lower than its recent share price had indicated. Centel's stock plummeted yesterday morning and the share prices of most other US telecommunications companies also dropped as the market puzzled over their worth.

Mr Jack Frazer, chairman of Centel, insisted at a news conference that the merger – to be achieved by a share swap – was "the most financially attractive deal for shareholders right now" and offered important long-term advantages.

The deal is the latest example of a wave of consolidation sweeping through the US telecommunications industry, thanks to technical, regulatory and financial change. If it goes through, it would create a unique business – the only US company operating in all the three major telecommunications markets: long distance, local and cellular.

But Wall Street analysts said the pact, which requires the

approval of a majority of Centel shareholders, might be rejected by them, and several major investors expressed anger over the terms.

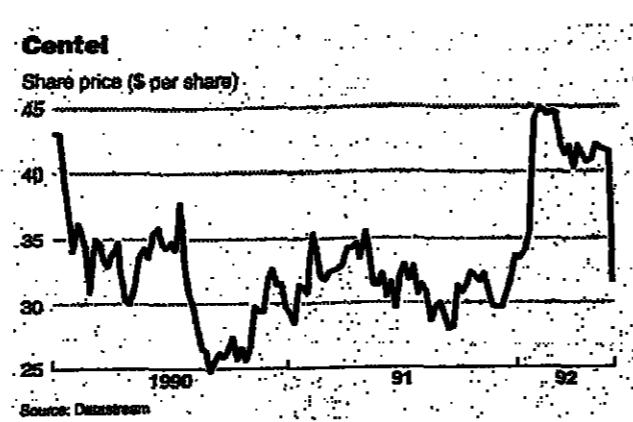
Mr Kenneth Leon, an analyst at Bear, Stearns, said: "I do not find the merger attractive and believe the company's shareholders will reject it. I feel the company is worth much more."

The merger, which the two companies stress would be tax free to shareholders, involves the conversion of each share of Centel's common stock into 1.37 shares of Sprint stock and would leave Centel shareholders with around 85 per cent of the combined business.

Yesterday morning Sprint shares dropped 11% to \$23.40, valuing each Centel share at \$31.40 and the whole group at \$2.65bn.

However, many analysts had previously put a break-up value of \$4bn or more on Centel and on Wednesday, just before the merger announcement, the shares had closed at \$22.40. By yesterday lunchtime they were down at \$22.00.

The combined group will be called Sprint, and Mr William Esrey, Sprint's chairman and chief executive, will retain these titles. Mr Frazer will become president and chief operating officer, and Centel



Source: Datamonitor

will get six seats on a 16-person board.

Sprint is the third largest long distance carrier in the US, where it has faced an uphill battle with industry leaders American Telephone & Telegraph and MCI. It also operates local phone services in 17 states, serving more than 4m access lines.

The acquisition of Centel will add another 1.6m local access lines in six states – four of them common to Sprint – and take Sprint back into the fast-growing cellular market, where Centel serves areas with a population of 20m. Ironically, Sprint sold its cellular business to Centel

several years ago.

Mr Esrey said the combination of the local businesses would give Sprint "real critical mass" and produce increased efficiency and lower costs. He hoped eventually to save around \$100m a year in operating costs, including a reduction of around 1,000 in combined employees. Sprint has 49,000 workers and Centel 9,300.

He added that the US would increasingly see a "blurring of the boundaries" between local telephone companies, long distance ones, cellular communications and the cable television industry.

The Centel deal meant Sprint would have a head start in this process, and would be able to offer custom-

ers "one stop shopping".

Many analysts agree the US industry is heading gradually in this direction, although there remain formidable regulatory barriers to the process.

The 1984 anti-trust break-up of AT&T or Ma Bell, which used to provide both long-distance and local services, prevents AT&T from entering the local market and the so-called "Baby Bell" regional companies, which were spun off of it, from entering the long-distance market.

However, these restrictions

do not apply to the non-Bell companies which provide a substantial part of America's telecommunications services.

Several other large telecommunications companies expressed interest in buying parts of Centel, but not all of it, and Mr Frazer said he had been surprised that the bidding had not been more active.

"There has been widespread speculation on the value of local telephone company assets. These have all been changed with this process," added Mr Esrey.

However, some Wall Street

analysts argued that Centel had chosen to put itself on the market at a poor time, when other large telephone companies were already absorbed with recent acquisitions.

## Novell surges on growth of network computing

By Louise Kehoe  
in San Francisco

NOVELL, the US computer networking software company, reported a 50 per cent jump in revenues for its second quarter with earnings up 60 per cent as the company continued to benefit from rapid growth in network computing.

Net income rose to \$61.3m or 40 cents a share, from \$38.4m or 28 cents. Revenues for the quarter were \$225m, up from \$150.2m last time.

In spite of the strong performance, Novell's stock price was down yesterday morning on news of the results. Wall Street analysts had hoped the company would outperform their projections.

Novell aimed to expand its sales further by providing operating system software for networked desktop computers, said Mr Raymond Noorda, chairman, president and chief executive.

For the first six months net income increased 65 per cent to

## JVC, Hughes in video venture

HUGHES Aircraft of the US and Victor Co of Japan (JVC) are forming a joint venture to make video projectors, Reuter reports from Tokyo.

Sales of projection television equipment are expected to take off with the introduction of advanced television systems in the 1990s.

The new California-based company, called Hughes-JVC Technology, this autumn will start marketing a professional model of a projection TV, which shines a video image on a large flat screen.

Additional models will follow

next year and a consumer version is due in 1994.

The projectors are based on liquid-crystal light valve technology developed by Hughes Aircraft, a division of GM Hughes Electronics Corp.

Hughes says it has been working with this technology for 20 years in defence applications, which account for most of its revenues.

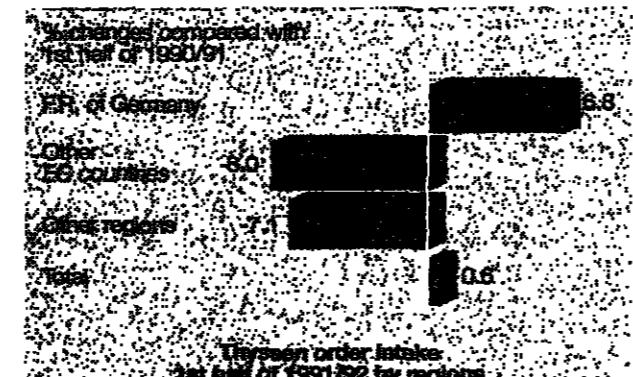
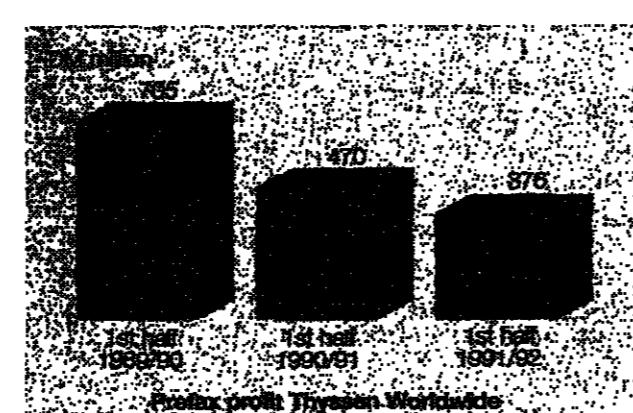
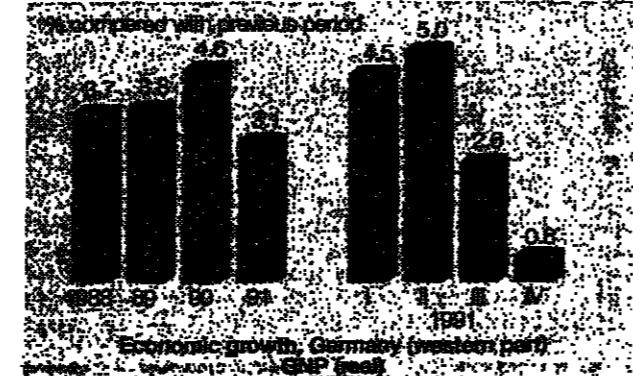
JVC, with its long experience in the audio-visual business, will contribute manufacturing and marketing acumen to the joint venture.

The worldwide market for

## Thyssen informs: Proving Ourselves in Times of Structural Adjustments

Interim report for the first half of 1991/92  
from October 1, 1991 to March 31, 1992 (unaudited)

Thyssen Worldwide		1st half: 1990/91	1st half: 1991/92
Sales	DM billion	17.7	18.6
Pretax profit	DM million	470	376
Net income	DM million	227	203
Capital expenditure	DM billion	1.230	1.300
Order intake	DM billion	19.1	19.2
Employees		Sept. 30, 91 / March 31, 92	148,250



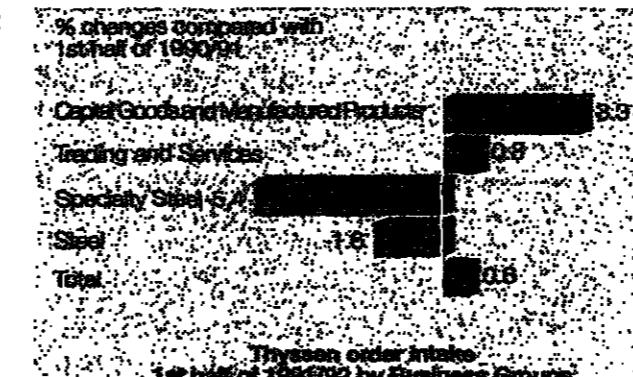
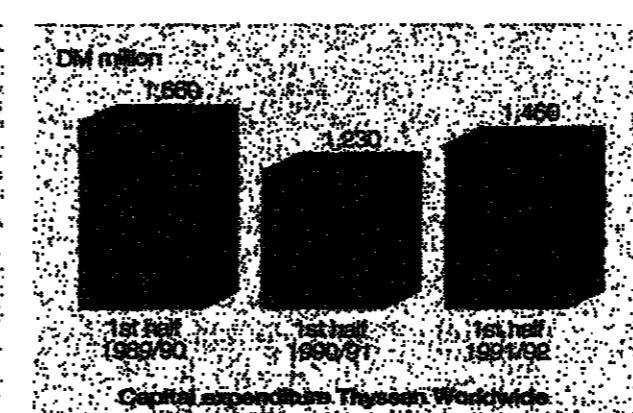
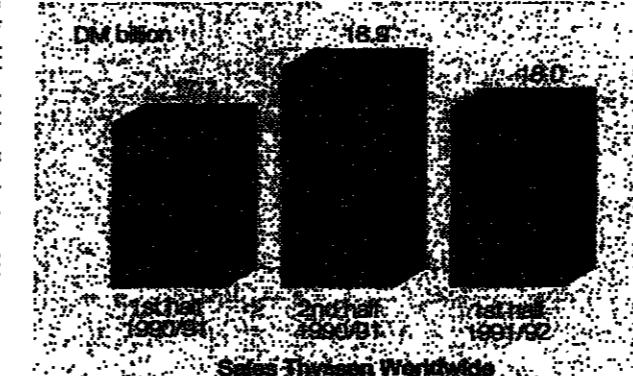
## Employees

At the end of March 1992, Thyssen Worldwide employed nearly 148,000 people. 121,000 were working for the companies in the Federal Republic of Germany, of which 4,100 were at the consolidated companies and branches in the eastern part of Germany. Companies outside of Germany employed just under 27,000 people. Throughout the Business Groups, emphasis was on cutting back workforce to improve costs. The work force increase in Capital Goods and Manufactured Products is attributable to the addition of the pressing plant Ludwigshafen near Berlin and the complete inclusion of Dolomitwerke (previously consolidated at 50 percent).

Sales by Steel were down 4 percent, mainly because of weaker revenues. Shipments were almost at the same level.

Rail production, steel coating and steel joining facilities were all busy. The building systems and welding product groups were extended through acquisitions.

Sales	DM million	1st half: 1990/91	1st half: 1991/92
Capital Goods and Manufactured Products	5,136	5,809	
Trading and Services	7,463	7,395	
Specialty Steel	1,702	1,539	
Steel	5,290	5,089	
Net sales Business Groups	19,591	19,826	
less sales among Business Groups	1,869	1,788	
Sales Thyssen Worldwide	17,722	18,038	



## Employees

Employees	as of:	Sept. 30, 1991	March 31, 1992
Capital Goods and Manufactured Products		58,953	59,933
Trading and Services		29,369	28,769
Specialty Steel		14,132	13,574
Steel		45,420	45,145
Thyssen AG		376	369
Thyssen Worldwide		148,250	147,810

During the first half of fiscal 1991/92 Thyssen invested just under DM 1.5 billion, 18 percent more than in the comparable period of the previous year. A good DM 1.3 billion was accounted for by tangible and intangible assets. The biggest individual item was building the new second large-scale blast furnace in Duisburg. Another emphasis was expanding regional coverage of the trading and warehousing organizations in eastern Germany.

## Result

The result by Thyssen Worldwide to date was within expectations. Pretax profit came to DM 376 million and was down compared with the first six months of the previous fiscal year. Net income declined slightly to DM 203 million.

## Guaranteed dividends

Business at Thyssen Industrie was good, the result again improving. Stockholders of Thyssen Industrie AG are guaranteed a dividend amounting to 6/10 of the Thyssen AG dividend. Stockholders of Edelstahlwerk Witten AG and Stahlwerke Bochum AG, both of which no longer carry out any business activities of their own, receive a guaranteed dividend pegged to that paid by Thyssen AG. At Stahlwerke Bochum, for DM 100 share of stock this is 2/3 of what is paid on DM 100 capital stock of Thyssen AG – or at least DM 6. Stockholders of Edelstahlwerk Witten are paid on a DM 100 share of stock the same dividend as paid on two DM 50 shares of stock of Thyssen AG.

## Order situation

Despite a declining overall economy, the Thyssen Group companies during the first half of fiscal 1991/92 succeeded in booking orders at the same level as in the first half of the previous period. However, this situation was partly the outcome of a number of major contracts, especially for shipbuilding. Orders received from eastern Germany more than doubled. In the western part of Germany order intake grew, too. In contrast, orders received from abroad dropped significantly. As of the end of March, orders on hand rose to DM 15.3 billion.

## Prospects

The frequently proclaimed recovery of the world economy so far failed to materialize. North America and Great Britain are having a tough time finding their way out of the recession. Economic momentum is lacking in Western Europe, too, not to mention the collapse in Eastern Europe. Even in Japan, the forces of growth are noticeably weaker. Any stronger indications of a recovery in the global economy can only be expected for 1993.

In such an economic environment, our materials producers in particular are encountering resistance in their efforts to implement necessary price increases. All the Business Groups are carrying measures aimed at improving their cost situation, which, however, initially lead to cost burdens. Nonetheless, the Group result will be positive in the second half of 1991/92, too. In such a situation, the broadly based products and service range of the Thyssen Group is proving itself.

The merger of the two Business Groups, Steel and Specialty Steel, scheduled for October 1, 1992, will open up additional income potential in the future.



THYSSEN AKTIENGESELLSCHAFT

## INTERNATIONAL COMPANIES AND FINANCE

## JAL records first loss since 1985

By John Burton in Tokyo

JAPAN Airlines (JAL), the country's leading international carrier, yesterday reported a pre-tax loss of Y5bn (\$46.1m) for fiscal 1991 due to a slump in foreign business travel and rising operating costs.

Meanwhile, All Nippon Airways (ANA), Japan's biggest domestic airline, announced a pre-tax profit of Y23.4bn, down 11.6 per cent.

JAL, which had a profit of Y24.8bn in fiscal 1990, predicted it would break even in the current fiscal year, while ANA forecast a slight dip in earnings to Y22bn.

JAL's loss, which was lower than its earlier prediction of a Y5bn deficit, reflected an operating loss of Y12.9bn. An improvement in financial items, including the sale of securities, led to the smaller pre-tax loss.

It was the first loss for JAL since fiscal 1985 when the crash of a JAL 747 in Japan, which killed 520 persons, caused a drop in passenger traffic.

Net losses were narrowed to Y2.9bn, against a profit of Y13.7bn in fiscal 1990, due to the sale of aircraft. JAL will pay an unchanged dividend of Y5 in spite of the loss.

Sales fell by 0.4 per cent to Y114bn. International passenger turnover dropped by 1.5 per cent to Y564.4bn, although passenger traffic rose 5.4 per cent. The downturn was the result



Opposite directions: International sales were lower at JAL, but 19% higher at ANA

of less business traffic, mainly on the Japan-Europe routes, as companies cut their travel budgets because of the recession.

Less profitable tourist traffic, particularly to China and Hawaii, was responsible for the increase in passengers to 8.3m.

Domestic sales rose by 5.1 per cent to Y365.2bn as JAL expanded routes within Japan, producing a 3.8 per cent increase in passenger traffic to 14m.

While total sales remained stagnant, operating costs rose by 3.3 per cent to Y127.5bn due to higher maintenance costs

and leasing charges.

JAL expects a net profit of Y5bn, while sales are expected to increase to Y132bn.

ANA blamed its profit drop on higher interest costs following the purchase of new aircraft and other capital investments, which amounted to Y300bn last year. Its net financial deficit grew to Y28.7bn from Y19.5bn in fiscal 1990.

ANA plans to invest another Y300bn in expanding its flight network this year. It explained that expanded services led last year to a rise in turnover for both its domestic and interna-

tional routes, which boosted total sales to Y799.2bn, up 9 per cent.

Net income fell by 28.9 per cent to Y7.5bn. The dividend will be unchanged at Y5.

Sales in the domestic market, where ANA claims a 50 per cent share, rose by 7 per cent to Y651.8bn. International sales increased by 12.2 per cent to Y116.8bn as ANA continued to expand foreign routes.

It expects that sales will climb by 5.5 per cent to Y843.5bn in the current fiscal year, although net profit will decline 3.9 per cent to Y7.3bn.

## Hitachi set back 37% as demand weakens

By Robert Thomson in Tokyo

HITACHI, the Japanese electronics company, reported a 37.4 per cent fall in pre-tax profit to Y128.9bn (\$991.5m) for the year to end-March and along with the entire Japanese industry, blamed the decline on weak demand for semiconductors and computers.

The company said sales had risen 3.6 per cent to Y1,925bn from Y1,816.2bn. International and local telephone revenues grew by 15 per cent and other telecommunications services, which mainly represent mobile communications, rose 13 per cent.

Japanese electronics companies, which dominate the market for memory chips, have been particularly bruised by the unexpectedly weak demand for the present generation of 4MBit chips.

The industry is still suffering from a two-year downturn in the domestic audio-visual equipment market.

Hitachi said its capital investment for the current year would be around Y160bn, down from Y207.5bn, while research and development spending would be about Y40bn, slightly lower than last year's level of Y41.5bn.

Apart from weak demand, the Japanese electronics industry's ability to invest has been curbed by the higher cost of capital since the collapse of the Tokyo stock market.

For the current year, Hitachi is forecasting a slight fall in sales to Y3,900bn and a further fall in pre-tax profit to Y120bn.

By Stefan Wagstyl in Tokyo

## Tokyo banks agree rescue of Taiheiyo

At the company's second largest Japanese sewing machine maker, has received several managers from Kyowa Saitama Bank, which has been negotiating with the manufacturer's other creditors in an attempt to buy time on the repayment of outstanding debt.

Taiheiyo is expected to sell some of its extensive land holdings, though it is keen to delay the sales until a recovery in the weak property market.

SAKURA Bank, the large Japanese bank, is leading a rescue of Taiheiyo Bank, a medium-sized Tokyo-based bank which ran into trouble three years ago with loans to a property developer.

Sakura will put up around 30 per cent of low-interest loans totalling Y110bn (\$846m) to be made to Taiheiyo over 10 years. The rest of the funding will be extended by Fuji Bank, Tokai Bank and Saitama Bank.

Executives from Sakura and from the Bank of Japan and the Ministry of Finance will be transferred to Taiheiyo to supervise the bank's rehabilitation.

The rescue is a classic example of a bail-out of a Japanese financial institution, with banks and the authorities working together to prevent a bankruptcy.

The fact that the rescue has taken three years to arrange is a measure of the difficulty the banks faced in forging a burden-sharing agreement.

Taiheiyo ran into trouble by lending to Mogami Kosen, a property speculating company, which accumulated around Y100bn in bad and doubtful loans.

• Nippon Mining, the Japanese nonferrous metal process-

## HK Telecom advances on strong growth in revenue

By Simon Holberton in Hong Kong

HONG Kong Telecommunications, the colony's biggest company, yesterday met the market's expectations when it announced a 14 per cent increase in net earnings to HK\$6.67bn (US\$732.5m) in the year to end-March, against HK\$4.96bn in previous 12 months.

The profit rise was struck on a 13 per cent advance in turnover to HK\$14.37bn from HK\$12.26bn. International and local telephone revenues grew by 15 per cent and other telecommunications services, which mainly represent mobile communications, rose 13 per cent.

Mr Michael Gale, chief executive, said the results were satisfactory, particularly as profits had been hit this year by a much higher tax rate. The company paid HK\$883.4m in tax, 88 per cent higher than the HK\$420m paid in 1991.

Directors have recommended a final dividend of 20.5 cents a share. With the interim payout of 17.5 cents, the total for the year will be 38 cents, up 15 per cent.

Hong Kong Telecom's results are intended to underline the importance of the Chinese market to the company's business. Of last year's 1.6bn minutes of international traffic, China accounted for 671m minutes – a 35 per cent increase over the previous year. This business produced revenues of HK\$2.77bn last year. For China it produced revenues in excess of HK\$500m.

The company is developing its relations with Chinese telecommunications authorities, especially in southern China. It will train 600 executives from the Guangdong's telecoms authority this year and has so far given China 1m lines of



Michael Gale: expects increased competition

analogue telecommunications equipment.

The company is negotiating with the Hong Kong government over the future of its domestic monopoly, which comes up for renewal in 1995. It is under pressure from government to cut its domestic and international telephone charges.

Mr Gale said the company expected to see increased competition in the coming years. He added that the company's negotiations with government were continuing.

However, the company appears to have persuaded the government to change its system of regulation of one in which its domestic profits are capped to an allowable return on shareholders funds to a system of regulation of tariffs based on the inflation rate.

On international business, which provides more than 60 per cent of revenues, the company is reported to have offered an 8 per cent average reduction in charges, linked to a promise of no average increase in charges over the next five years.

Hong Kong Telecom is 58.4 per cent owned by the UK's Cable and Wireless, CITIC, the Beijing investor, holds 20 per cent of the company.

## Varity narrows deficit to \$2.4m

By Bernard Simon in Toronto

Michigan-based automotive parts maker, whose sales climbed by almost a third to \$389m, with operating profit doubling to \$1m. Higher sales of anti-lock braking systems contributed to the increase.

Varity acquired Kelsey-Hayes less than three years ago, but automotive products now account for 47 per cent of the parent's sales and more than two-thirds of operating profits.

Operating income of the Perkins diesel engine group climbed by 29 per cent, while Massey-Ferguson, the farm

machinery maker, broke even, against a \$3m loss last year.

However, Pacoma, a German hydraulic systems subsidiary, remains in the red, with a \$1m first-quarter loss. Varity is rumoured to be looking for a buyer for Pacoma.

Mr Victor Rice, chairman, predicted a continued improvement, no matter what the economic climate.

Varity, which moved its head office last year from Toronto to Buffalo, New York, has substantially cut its workforce in recent years as part of its efforts to contain costs.

## Nippon Oil slips despite big gain in net income

By John Burton

NIPPON Oil, Japan's largest oil distributor, has reported a 5.9 per cent fall in pre-tax earnings to Y44.1bn (\$339.2m) due to rising personnel costs and a decrease in financial income.

Sales fell by 7.5 per cent to Y2.029bn because of price cuts for petroleum products following the fall in crude oil prices.

Net income, however, increased by 11.7 per cent to Y2.95bn due to the sale of a storage facility.

Sales volume remained almost unchanged. Although the economic downturn weakened demand from the industrial sector, sales volumes for gasoline, kerosene and gas oil increased.

The fact that the rescue has taken three years to arrange is a measure of the difficulty the banks faced in forging a burden-sharing agreement.

Taiheiyo ran into trouble by lending to Mogami Kosen, a property speculating company, which accumulated around Y100bn in bad and doubtful loans.

• Nippon Mining, the Japanese nonferrous metal process-

ing and oil refining group, yesterday reported a 15.5 per cent fall in pre-tax profits to Y15.3bn for fiscal 1991.

It said that earnings had fallen because of the sluggish performance of its metals business, which has been affected by low zinc and copper prices and the high yen.

The mining division will be split off from Nippon Mining in the autumn as the company prepares to merge its affiliate Kyodo Oil and concentrate on petroleum refining.

Nippon Mining said the sale of securities added Y5.3bn to the pre-tax result. Sales dropped 14.6 per cent to Y845.5m, while net profit rose 12.08 per cent to Y95m.

It forecast that pre-tax profits would increase to Y21bn in the current fiscal year as a result of its merger in December with Kyodo Oil, while the net profit would grow to Y10.5bn. Sales are expected to climb to 1.060bn.

## Mody to step down as Tata Iron chief

TATA Iron and Steel (Tisco), India's largest privately held company and the flagship of the Tata group of companies, announced that Mr Russel Mody would step down as chief executive on July 22, Reuter reports from Bombay.

Mr J.J. Irani, his deputy, will take over as managing director. Mr Mody, 74, will continue as chairman and also oversee Tisco's overseas ventures.

"In view of the importance of globalisation of the company, the board required Mody to continue to head its overseas development, including exports and imports," the company said.

In the year to end-March, exports jumped 117 per cent to Rs4.49bn (\$167m), from Rs2.07bn.

The company added that Tico would launch a \$100m Eurobond issue in the third quarter of 1992. It said it also proposed to launch a rights equity issue in late June in the domestic stock markets, but did not give details.

• Tata is a company in transition, writes R.C. Murthy. Mr J.R.D. Tata retired from Tata and Sons, the holding company, a couple of years ago, naming Mr Ratan Tata as his successor as group head.

Mr Mody's move marks the first significant success of Mr Ratan Tata to tighten his grip on the group.

Analysts say Mr Mody may soon leave Tico.

## Equitable Life shows improvement

By Nikki Tait in New York

EQUITABLE Life Assurance, one of the largest US insurance companies, reported an after-tax loss of \$1.6m during the first quarter of 1992, compared with a loss of \$1.4m in the same period a year earlier, according to filings with the Securities and Exchange Commission.

The life insurer, currently converting from mutual to shareholder-owned status, added that improvements in its operating performance would depend on the company's ability to improve returns from certain classes of general account investment assets.

Surrenders and withdrawals in the first quarter were \$571.4m, down 15.7 per cent on

the first three months of 1991. Surrenders in 1991 overall totalled \$2.39bn, up 37 per cent on the previous year.

Pre-tax profits from continuing operations during the first quarter totalled \$6.3m, against \$3.2m a year earlier.

Equitable said that this reflected decreased results from the individual insurance and annuities segment.

## U.S. \$100,000,000

Robert Fleming Netherlands B.V.

Primary Capital Undated

Guaranteed Floating Rate Notes

guaranteed by

Robert Fleming Holdings Limited

Interest Rate 4.75% per annum

Interest Period 29th May 1992

30th November 1992

Interest Amount due 30th November 1992

per U.S. \$10,000 Note U.S. \$ 244.10

per U.S. \$50,000 Note U.S. \$1,220.50

Credit Suisse First Boston Limited

Agent

Payment of the principal of, and interest on, the Notes is unconditionally and irrevocably guaranteed by

The Bank of Tokyo, Ltd.

In accordance with the provisions of the Agent Bank Agreement between Bank of Tokyo (Curacao) Holding N.V. and The Bank of Tokyo Ltd., and Cibank, N.A., dated November 27, 1985, nothing herein shall give the Agent Bank the right to require payment of the principal of, and interest on, the Notes prior to the date of payment of the Agent Bank's obligations to the Agent Bank under the Agent Bank Agreement. The Agent Bank's obligations to the Agent Bank under the Agent Bank Agreement shall be governed by the laws of the State of New York, and the Agent Bank shall be entitled to sue for the recovery of any amount due to it under the Agent Bank Agreement in any court of competent jurisdiction.

May 29, 1992, London

By: Cibank, N.A. (CSSI Dept.), Agent Bank.

CITIBANK

MELLON BANK NA  
USD 250,000,000 FLOATING RATE  
SUBORDINATED CAPITAL NOTES DUE NOVEMBER 1992  
Notice is hereby given that for the period 20 May 1992 to 28 August 1992 the Notes will carry an interest rate of 6.25% per annum.  
Interest payable on 28 August 1992 will be US\$346,614 per US\$50,000 note.





Justicia Ltd

## Enlarged Babcock 7% ahead

By Jane Fuller

**BABCOCK** International, the engineering contractor, cushioned itself against the effects of the UK recession by spreading its activities across a wider range of industries and expanding its business on the Continent.

Pre-tax profit advanced by 7 per cent to £250.1m (£245.7m) on turnover of £230m (£215.1m) last year. Operating profit went up 12 per cent to £23.1m (£28.5m), but net interest income fell to £5.5m (£5.2m) because of falling rates.

At the March 31 year-end, net cash stood at just over £100m, compared with £28.3m. Mr Erik Porter, finance director, said this was "a bit of a freak" following a rush of advance payments. The normal level was about £20m, of which about half was Babcock's.

The group issued shares during the year to buy a Swedish company and to strengthen the balance sheet. With the help of £23m retained profit, net assets advanced from £70m to £102m.

Three of the five divisions improved profitability, including the new materials handling division formed from Claudio Peters in Germany, Consilium, the £21.4m Swedish acquisition, and a UK subsidiary.

Materials-handling profit rose 44 per cent to £7.2m.



Erik Porter: £100m net cash 'a bit of a freak'

Energy and manufacturing, including a big flue-gas desulphurisation contract at Drax power station, improved to £17.5m (£16.7m). Construction and process plant contributed £2.7m (£1.5m) after securing more overseas work and increasing its penetration of the oil, steel and pharmaceuticals industries.

Facilities management - the Rosyth Royal Dockyard - slipped to £10.5m (£10.7m) because of delays in a submarine refit programme. The only

serious setback came in South Africa, which was £2m down at £7.1m following a slump in platinum mining.

The £14m settlement of a dispute arising from the liquidation of IBH Holding in Germany, was about £5m less than Babcock had provided for, leading to an extraordinary gain of that amount.

After a reduced minority share of £2.4m (£3.2m), but a higher tax rate, earnings per share rose to 6.94p (6.55p).

A proposed final dividend of

1.9p makes a total of 3.15p (3p).

### COMMENT

Babcock's share price, which sunk to 82p before the general election, has outperformed the FT-A All-Share index by 18 per cent since then and the re-rating is well deserved. Although it is still suspected of being a late-cycle group because of some long-term contracts, it has become adept at casting its net widely for smaller, quicker orders. It says it is not unhappy that the year-end order book was about £40m down at £580m, especially as about £100m has been added since. Some analysts, however, remain unconvinced and point to limited recovery potential. It is true that earnings growth will be restricted this year by falling interest income, a higher tax charge and increased equity. However, the potential contributions from Consilium, which made £500,000 profit in six weeks last year and from a joint venture with Yorkshire Water bode well, as do the reasonable prices paid for these businesses. Pre-tax profit is forecast to reach about £57m this year, giving an undemanding prospective p/e of less than 10 on yesterday's close of 69p, supported by a yield of more than 6 per cent.

persistent recession worldwide".

The advance had been achieved on sales 7 per cent compared to a market decline of 20 per cent - had helped to cushion the effect of tougher trading in the US. Shipments there were down by 10 per cent.

Mr David Macdonald, chairman, said a lack of consumer demand during the vital Christmas period had resulted in an overhang of stock last year. Nevertheless, he was pleased with the profits progress despite the effects of the "deep and

Mr Fyfe said a strong performance in Japan - where sales

jumped by 20 per cent compared to a market decline of 20 per cent - had helped to cushion the effect of tougher trading in the US. Shipments there were down by 10 per cent.

In the UK, excise duty and VAT increases combined with recession to depress sales for the first time in almost 10 years.

Customer demand fell by about 11 per cent in the UK, Mr Fyfe said.

He added that the excess stock had worked its way

through the system since December, although production was being cut by 15 per cent this year.

Blended whiskies - which represent about 500,000 cases a year, compared with 160,000 for malt - were expected to suffer increasing margin pressures due to lower prices. Mr Fyfe said. Yet MMD had managed to increase overall margins last year by 2.6 points to 16.9 per cent.

Earnings per A share rose from 39.74p to 41.88p. The final dividend is raised 10 per cent to 6.6p for a total of 8.8p (8p).

## Macdonald Martin Distilleries a wee dram higher at £8.6m

By Peggy Hollinger

**SOBER** Christmas revellers dampened spirits at Macdonald Martin Distilleries, maker of Glenmorangie and Glen Moray whiskies, which yesterday revealed profits only £240,000 higher to £8.6m for the year to March 31.

Mr David Macdonald, chairman, said a lack of consumer demand during the vital Christmas period had resulted in an overhang of stock last year. Nevertheless, he was pleased with the profits progress despite the effects of the "deep and

persistent recession worldwide".

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## AJ Archer suffers 62% fall to £267,000

By Richard Lapper

**AMID** EXTREMELY difficult trading conditions at the Lloyd's of London insurance market, AJ Archer Holdings, the listed Lloyd's agency group, reported a 62 per cent fall in pre-tax profits, from £708,000 to £267,000, in the six months to March 31.

Earnings per share fell to 0.7p (1.9p). The interim dividend is 2.2p (3.15p).

During the half year agency fees rose to £1.21m (£1.19m), but fees received for winding up - which are no longer receivable

by managing agents - dropped to just £4,000 (£13,000).

Operating expenses rose to £1.17m (£87,000), principally due to the inclusion of the costs relating to the Henry G Nicolson members' agency last year.

Interest receivable also fell - reflecting falling interest rates and less money on deposit - to £215,000 (£273,000).

Archer warned that profitability would be further depressed when the group reports its results for the full year

since profit commission earned from the 1989 underwriting year and re-

ceived since March 31 fell to £700,000 (£2.2m).

Of the 10 syndicates managed by the group in 1989 half produced profits and half losses, with two of the syndicates' losses amounting to less than 1 per cent of stamp (capital base).

For the 1990 year of account Archer's managed capacity - the amount of premium income its syndicates are allowed to accept according to Lloyd's rules - fell from £330m to £290m.

The group's members' agency capacity rose to £24.6m (£18.8m).

### DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - pending dividend	Total for year	Total last year
ABI Leisure	1.57	July 1	1.57	-	4.7
Acatos & Hutch	2.5	July 27	1.75	-	5
Archer (A)	2.2	Aug 20	3.15	-	4.4
Babcock Int'l	1.97	Aug 28	1.8	3.15	3
City of London P&S	1.14	July 24	2.05	3.18	3.09
Europeana Colour	0.4	July 20	0.4	0.65	0.55
Grayfords Int'l	2	June 30	2	-	6
Fleming High Inc	1.45	July 1	1.45	5.8	5.75
Macdonald Martin	6.6	July 31	6	8.8	8
M&G	9	July 1	8.25	-	19
MPC	5.25	July 14	5.25	-	20
North West Water	13.13	Oct 1	12	19.67	18
PCT 5	4.57	July 28	4	7	8.4
Roche & Nolan	3.5	July 24	3.5	6.2	5.6
Scottish Breweries	1.6	July 20	1.5	-	4.4
Scottish Power	1.75	Oct 23	10.13	-	-
Stobart Journeys 5	1.15	nil	1.95	-	2.56
Smart (J)	2.3	July 13	2.15	-	7.95
South West Water	14.87	Sept 1	13.3	21.7	20
Thorn EMI	21.5	nil	21.5	30.5	30.5

Dividends shown pence per share net except where otherwise stated.

1 On increased capital, 80.8M stock.

### ANGLOVAAL GROUP

#### Declaration of Final Dividends Year Ending 30 June 1992



Dividends have today been declared in the currency of the Republic of South Africa to holders of ordinary shares listed below. Statute dates related to these declarations:					
Friday	19 June 1992				
Saturday					
Friday	20 to 25 June 1992				
Monday	29 June 1992				
Friday	24 July 1992				
Name of company	Notes	No.	Dividend Declared Cents Per Share June 1992	Total for Financial Year Cents Per Share 1992	
Eastern Technical Consultants Ltd Reg. No. 071044/000		94	7	7	14
Harbormasters Gold Mine Company Ltd Reg. No. 071045/000		73	45	50	95
Chapman Gold Mining Company Ltd Reg. No. 071046/000	2	40	7	825	15.25

Notes: 1. The dividends are paid subject to conditions which can be inspected at the registered office or offices of the London Secretaries of the companies. These companies are incorporated in the Republic of South Africa.

2. Estimated profit after taxation amounts to R 20 200 000 (1991: R 21 471 000) and amount absorbed by dividends is R 18 856 000 (1991: R 21 481 000).

By order of the board

Anglovaal Limited  
Secretaries  
33 Davies Street  
London W1Y 1FN

Registered Office  
Anglovaal House  
56 Main Street  
2001 Johannesburg

27 May 1992

B.G.D. Gordon

27 May 1992

NOTICE OF WITHDRAWAL OF OPTION

Olympia & York (Gulf Canada Square) Limited

U.S. \$160,000,000 Note Issuance Facility  
dated 22nd August 1988.

TO: The holders of notes made by Olympia & York (Gulf Canada Square) Limited ("OYGCS") pursuant to the trust indenture dated as of August 22, 1988 issued by OYGCS in favour of The Royal Trust Company, as trustee, secured by first mortgage security charging Gulf Canada Square, Calgary:

RE: Option Deed made as of August 22, 1988 (the "Option Deed") by the financial institutions named therein as grantor ("the Grantors" (the "Grantors Agent"), in favour of certain holders of securities accounts with the Euro-clear System and Cetel S.A.

TAKE NOTICE that the undersigned, in its capacity as the Grantors' Agent, is withdrawing the Option pursuant to Section 6.01 of the Option Deed effective immediately upon publication as contemplated in Section 8 of the Terms and Conditions.

Capitalised words and phrases used herein and not otherwise defined shall have the meanings respectively ascribed thereto in the Option Deed.

DATED as of the 5th day of May, 1992.

BANK OF MONTREAL

FT-SE 100  
Where next?  
Call for our current views

The Chart Seminar  
Sponsored by David Fuller - 24th year  
The Netherlands 29 & 30 June  
Switzerland 8 & 9 October  
London 10 & 11 November  
Paris 12 & 13 December

### EXTRACTS



## COMPANY NEWS: UK

## M&G achieves 9.5% improvement to £19.9m

By Philip Coggan,  
Personal Finance Editor

M&G, the fund management group, yesterday announced a 9.5 per cent increase in interim pre-tax profits in a period when it launched two substantial investment trusts.

The two trusts - Income and Recovery - attracted £376m of investors funds.

However, heavy marketing costs of £10.4m for the launches meant that the contribution to operating profit from the trusts was just £600,000.

Funds under management at March 31 were £3.64bn - down some 4 per cent from £3.01bn at September 30 - largely reflecting poorer stock markets. The FT-A All-Share Index fell 7.4 per cent over the period.

Unit trust sales were poor, with redemptions of £203m out-

weighing sales of £158m. However, some potential demand may have been diverted into the investment trust launches, according to Mr Paddy Linaker, managing director.

Total sales of personal equity plans were £258m of which £21m related to unit trusts and £227m to investment trusts.

Sales of single premium life and pension policies were £71m, compared with £55m in the first period of 1990-91. New annual premiums were 26.4m (£7m).

Group operating profits in the six months to March 31 were £17m (£14.9m) and after reduced interest receivable of £2.96m (£3.27m), pre-tax profits were £19.9m (£18.2m).

A slightly higher tax charge resulted in earnings per share advancing only 0.5 per cent to 16.27p (16.34p).

The interim dividend goes up from 6.25p to 9p.

### COMMENT

If anyone doubted that fund management is a low margin business, they should look at M&G's figures. Profit from raising £376m of new investment trust money was just £600,000, although the group can look forward to the management fee on that business for the next decade. There are unlikely to be any further trust launches in the near future and judging by the first half, sales of the group's unit trusts are proving a struggle. Perhaps the recent performance figures have not been good enough; certainly the recession has hit the group's high-yield/recovery stock-picking style. M&G's philosophy should come back into fashion as the economy picks up but even so the shares, on a prospective p/e of 17 on a forecast of £41.5m, look high enough for the moment.

### NEWS DIGEST

## ABI Leisure shows 9.3% rise to £1.3m

PRE-TAX profits of ABI Leisure Group, the caravan manufacturer, showed a 9.3 per cent advance to £1.3m in the six months to February 29.

The outcome compared with £1.14m last time and came from turnover up 10 per cent, from £25.5m to £28.1m.

Mr George Shiels, chairman, said the economic environment remained difficult but there were a few signs that the all-important economic recovery was beginning.

The interim dividend is maintained at 1.57p, payable from earnings per share of 3p (2.6p).

## Silentnight buys German bed maker

Silentnight Holdings, Europe's biggest manufacturer of beds, has agreed to buy Matthias Houben, a bed and mattress manufacturer based near Dusseldorf.

The Lancashire company will pay an initial £2.7m cash for the German company, its first manufacturing base on the Continent, and a maximum of £4.25m, subject to profit targets over the next two years.

Houben made a pre-tax profit of £900,000 on turnover of £8.76m in 1991.

The interim dividend is raised to 2.3p (2.15p) despite a fall in earnings per share to 10.5p (12.04p).

Mr John Smart, chairman, said the volume of work in hand in contracting was higher than last year, although there was no sign of improvement in prices.

Private house sales were

sluggish and private housing in hand was less than last year, he said.

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**J Smart suffers downturn to £1.58m**

J Smart, the Edinburgh-based contractor and property investor, saw pre-tax profits fall by £260,000 to £1.58m in the six months to end-January as the recession continued to take its toll on the building industry.

Turnover fell from £21m to £7.1m and the company expects the year-end figure to be less than last year.

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sluggish and private housing in hand was less than last year, he said.

**Rolfe & Nolan dips to £1.39m**

Rolfe & Nolan, the futures and options computer bureau and software specialist, reported a 4 per cent decline in pre-tax profits to £1.38m for the year to February 29.

Net revenue for the 12 months improved from £1.53m

That compared with £1.45m

The Fleming High Income Investment Trust reported a net asset value of 88.7p at April 30 against 91.4p a year earlier.

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## A Year of Substantial Progress and Achievement

### PRELIMINARY RESULTS 12 MONTHS ENDED 31 MARCH 1992

Turnover up 15.8% to £166.5m  
Operating profit up 24.9% to £64.2m  
Pre-tax profits up 2.0% to £90.0m  
Earnings per share up 0.5% to 66.1p  
Final dividend of 14.6p making full dividend of 21.7p  
Capital expenditure up 45% to £172m

*"I am pleased to report a year of substantial progress and achievement," said Keith Court, Chairman. "We have further improved our quality of service to customers and our operating profitability has significantly strengthened. The growing capital programme, with expenditure rising by almost 50% for the third successive year, is radically improving the infrastructure in the South West. This performance, reinforced by our successful Cost Pass Through application, provides a firm base on which to build the long-term business."*

**SOUTH WEST WATER PLC**  
PENINSULA HOUSE, RYDON LANE, EXETER, DEVON EX2 7HR

If you would like a copy of the 1992 Annual Report, please write to the Company Secretary.

## JOHNSTON GROUP PLC

### FINANCIAL HIGHLIGHTS

	1991	1990
£'000	£'000	£'000
Turnover	119,904	126,446
Profit before exceptional provision	3,250	5,864
Exceptional provision against properties	(4,337)	—
(Loss)/profit before tax	(1,087)	5,864
Dividend per ordinary share	9.0p	13.0p
Net asset value per ordinary share	386p	411p

"It is regrettable that because of deteriorating market conditions some of the improvements made over the last two years and which are so visible to management and employees have yet to show through in the returns to shareholders. Nevertheless we have every reason to believe that the competitive position of our companies has been strengthened progressively and this will serve us well when recovery takes place."

Graham Johnston  
Chairman

Copies of the Annual Report and Accounts may be obtained from the Secretary, Johnston House, Hatchlands Road, Redhill, Surrey RH1 1BG.

Contracting and construction, engineering and construction materials.

T.C.H. Investments N.V.

NOTICE IS HEREBY GIVEN to holders of BEARER Cumulative Deposit Receipts each representing one-tenth of one class A share of T.C.H. Investments N.V. that the Annual General Meeting of Shareholders of T.C.H. Investments N.V. will be held at 6, John Gossage, Willemette, Chicago, on June 10, 1992 at 15.00 p.m. The agenda for the meeting and the Annual report 1991 are available for holders of Depositary Receipts at the office of Plesser, Holdings & Pierson N.V., Rokin 55, 1012 KJ Amsterdam, where vouchers for entry to the meeting may be obtained against delivery on or before June 3, 1992 of Depositary Receipts and proxies to vote may be obtained for each 10 Depositary Receipts.

Willemstad, Curacao  
May 18, 1992

CARIBBEAN MANAGEMENT COMPANY N.V.

The Chase Manhattan Corporation

U.S. \$175,000,000

Floating Rate Subordinated Notes due 1997  
Notice is hereby given that the rate of interest has been fixed at 4.3125% and that the interest payable on the relevant interest Payment Date August 28, 1992 against Coupon No. 27 in respect of US\$10,000 nominal of the Notes will be US\$1.09.01.

May 29, 1992, London  
By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

CHASE

MANAGEMENT

COMPANY

N.V.

U.S. \$500,000,000

Lloyds Bank Plc

(Incorporated in England  
with limited liability)

Primary Capital Undated  
Floating Rate Notes (Series 2)

For the three months, May 29, 1992 to August 28, 1992 the Notes will carry an interest rate of 4.4% p.a. with a Coupon Amount of U.S. \$107.43 payable on August 28, 1992.

By The Chase Manhattan Bank, N.Y.  
London, Agent Bank

BANQUE NATIONALE  
DE PARIS

ECU 100,000,000

Floating Rate Notes due 1996

Notice is hereby given that the rate of

interest for the period from May 29, 1992 to August 28, 1992 has been

fixed at 10.125 per cent per annum. The

coupling amount due for the period is

ECU 255.50 per ECU 10,000 denomi-

nation and the payment of the interest

payment date August 28, 1992.

The Fiscal Agent

Banque Nationale de Paris  
(Luxembourg) S.A.

SVENSKA INTERNATIONA

USD 25,000,000 Subordinated

Floating Rate Notes due 1995

Notice is hereby given that for the

interest period from May 29, 1992

to November 30, 1992 the rate of

interest on the Notes is 5.25 per cent

per annum.

The coupon amount will be USD

269.79 per USD 10,000. Note

SVENSKA HANDELSBANKEN S.A.

Agent Bank

## Europa Minerals seeks £3.97m via rights

By Kenneth Gooding,  
Mining Correspondent

FOLLOWING THE recent boardroom upheaval at Europa Minerals, the UK mining finance house, the group is dropping a cash-raising plan which would have involved companies associated with Sir Ron Brierley, the New Zealand entrepreneur, and is instead recommending a rights issue to raise a net £3.97m.

The 9-for-4 issue at 5p a share is fully underwritten by Henry Ansbacher.

At recent special meeting some institutional investors supported moves by Austinmin, a small Australian mining company which is the biggest

shareholder in Europa, to remove Europa's three non-executive directors and replace them with Mr Guido Staltari and Mr Robert Duffin, both Australians and executive directors of Austinmin.

Europa said yesterday the underwriters would add substantially to the board's knowledge of the Australian mining industry - a large part of the group's operating assets are in that country.

Mr Duffin said Austinmin would fully take up its rights and was partly sub-underwritten by Henry Ansbacher.

At recent special meeting some institutional investors supported moves by Austinmin, a small Australian mining company which is the biggest

and its assets and are putting our hands into our pockets to prove it."

With Europa's shares at 4 1/4p each yesterday, he expected underwriters to be left with between 40 per cent and 60 per cent of the new shares.

Many of the sub-underwriters were Australian residents or institutions because, said Mr Duffin, "there is support for small resource companies there not available in the UK."

So the Europa board intends to seek a listing on the Australian Stock Exchange but will keep an office in London and its London quote.

The cash raised will be used to reduce Europa's bank debt by about £1.57m and other

debts by about £400,000. Europa's cash flow from operations at present is not sufficient to meet interest payments and fixed costs.

Touché Ross has confirmed that, subject to the rights issue becoming unconditional, it will give an unqualified audit opinion on Europa's accounts for the year to January 31 1992.

Europa said it would remain a diversified operating and investment group in the natural resources sector.

The board in future would take a more active role in the management of Europa, the Australian gold producer of which Europa owns 41.8 per cent, and the Preston Coal Company in New South Wales.

Previously the board intended to withdraw from the Preston venture, 50 per cent owned by Europa.

Burnmine's initiative to increase gold production in 30,000 troy ounces a year via a joint venture with Golden Valley Mines, has the strong support of the Eurobonds board.

Europa will also retain its oil and gas interests which provide it with most of its cash flow.

The company said it expects to further reduce its operating overheads and administrative expenditure.

Brokers to the rights issue are Klemawort Benson Securities and John East and Partners.

### NEWS DIGEST

#### Sheldon Jones calls for £2.15m

SHELDON JONES, the USM-quoted pet foods, garden and timber products group, plans to raise about £2.15m net through a conditional placing and open offer of 22.45m convertible loan stock to be issued at 1.5p.

At the same time it announced a pre-tax loss of £66.3m for the six months to December 28 compared with profits of £44.000.

The loss was after an exceptional £240,000 (£27,000), being the costs associated with the resignation of the previous chairman and chief executive.

There was also an extraordinary charge of £10,000 (nil) arising from the disposal of Seed Producers and an adjustment to write off goodwill from its acquisition, previously offset against capital reserves.

Turnover amounted to £66.3m (£6.57m). Losses per share amounted to 1.12p (0.8p earnings) and there is no interim dividend (1.38p).

Mr Richard Sheldon, chair-

man, said the group was currently trading profitably. The proceeds from the placing would be used to invest more into the core business, principally the Pascoe's pet food business.

#### Scottish Inv Trust net assets improve

The net asset value per share of the Scottish Investment Trust showed a modest improvement to 206.3p at the six months ended April 30, against 198.5p a year earlier and 202.3p at the October year end.

Gross income, including underwriting commission of £82.000 (£27,000), rose by 10.4 per cent, from 29.74m to 31.75m. Earnings per share came out at 1.63p (1.56p) and the interim dividend is raised to 1.6p (1.5p).

Stoddard Sekers International, which makes Wilton and Axminster carpets and fabrics, has acquired BMK Holdings for £1.2m cash.

BMK Holdings' operating subsidiary, BMK, is based in Ayrshire and makes Axminster, Wilton and tufted carpets for the UK and overseas markets. Its carpet ranges complement Stoddard's existing products.

Operating profits of BMK Holdings were £90,000 for the year to March 31 and the value of net assets being acquired were estimated at £3.65m.

The interest was acquired in exchange for 10m Coplex shares and an undertaking to carry out drilling obligations in the licence areas over the coming year.

Tuskar was in danger of losing the licences by June, as it was unable to raise the necessary finance to continue the drilling programme.

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Tuskar was in danger of losing the licences by June, as it was unable to raise the necessary finance to continue the drilling programme.

The result was achieved with turnover kept broadly constant at £6.02m against £6.23m. Export value rose by £76.000 compared with £2.14m.

Administrative expenses were reduced by a further 10 per cent to £90,000 and would continue to fall with the reduction in activities, he said.

There is no dividend.

#### PCT improves 9% to £1.71m

Profits before tax of the PCT Group rose by 9 per cent to £1.71m for the year to end December, after taking account of a £126,000 fall in interest charges to £267,000.

However, a rise in the tax charge from 15 per cent to 20 per cent cut earnings by £1.09.

Turnover rose by 9.3 per cent to £17.9m - the USM-quoted group has invested in the marketing, hire and development of power tools and lifting and welding equipment.

A proposed final dividend of 4.5p on the enlarged capital makes a 7p (5.4p) total.

#### GREECE

The FT proposes to publish this survey on June 25 1992

Professional investors in over 160 countries worldwide and 54% of chief Executives in Europe's largest companies will see this Financial Times Survey. This definitive examination of Greece, its business, its position with the European community and its politics will be retained by influential FT readers for future reference. For a copy of the editorial synopsis and advertisement rates contact:

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\* Data source: Chief Executives in Europe 1990

#### FT SURVEYS

#### GLASGOW

The FT proposes to publish this survey on June 25 1992

from its print centres in Tokyo, New York, Frankfurt, Roubaix and London. It will be read by senior businessmen and government officials in 160 countries worldwide. It will also be of particular interest to the 130,000 directors and managers in the UK, who read the weekday FT.

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Data source: BMRC Businessman Survey 1990

## RECRUITMENT

JOBS: How executive pay vars across Europe

## Swiss slide below the Brits

IT cannot be denied any longer - the slide has definitely gone into reverse. Over half a decade of comparing the buying-power enjoyed by European executives, I became so used to seeing the Swiss soaring high above everybody, as to doubt they would ever be knocked off the peak.

Indeed, such was their supremacy that even when the Spanish and the Luxembourgish edged above them 12 months ago, I felt sure they would be back at the top this year. How wrong I may have been from the table over to the right: they have been overtaken by their counterparts in yet another four nations, including the United Kingdom. But before commenting further, I'll explain how the table works.

As in previous years, it is drawn from the annual survey made by the Wyatt consultancy group's arm in Brussels. The latest version covers 1,470 companies of assorted sizes and activities in 17 European countries, and gives supplementary data on the United States and Turkey. Of the 17 countries, Belgium applies the biggest sample of companies with 230, the smallest sample being Luxembourg's 36. The study also gives information on pay and perks for nine kinds of specialist directors as

well as chief executives, divided into company-turnover bands.

All of which is of course more than I have room for. Anyway, the full report can obtain at a price, from either Jean-Pie Bequet at 273 Avenue de Tervuren (X 4), 1150 Brussels, Belgium; tel (02) 762 99 10, fax (02) 762 37 45; or Don Mune at 21 Totthill St, London SW1H 4L; tel 071-222 9033, fax 071-222 9182.

My extracts are confined to chief executives and just two sorts of other directors, of finance and personnel, across companies of all sizes in each land. And I have included only the dozen best-paying counts, converting the currencies into sterling at the London closing rates.

In each case, the table gives basic salaries, total money including bonuses, and a rough measure of buying-power. The three lower quartiles' columns refer to the executives who'd be a quarter of the way from the foot of a ranking of all firms' same job and land, the "median" to the one midway, and the "up quartile" trio to the one a quarter of the way up the top. Then come the standard averages. The buying-power is calculated by taking the total pay, deducting the

particular country's normal tax and social security charges for a person with the specified income who is married with two dependent children, then adjusting the resulting net pay in line with Wyatt's index of international variances in executives' living costs.

Alas, it is a loosely approximate measure at best. The reason is that, since survey companies evidently find it impossible to devise a gauge of housing costs that is consistent across different countries, that central item of spending is left out of account. Nevertheless the index is the best measure available of what pay is "worth", and the countries are ranked by the average buying power of the three executives listed.

On that criterion, the Spanish hold the top place they gained last year, with the Italian leapfrogging into second place over the Luxembourgish who sank above the French by dint of paying the two specialist directors better. That is also why the Swiss are higher than the Austrians, although both are now below the UK and in the lower half of the ranking. Among the rest, the Belgians have regained the slight lead over the Dutch which they lost 12 months ago.

Michael Dixon

COUNTRY	JOB CATEGORY	LOWER QUARTILE			MEDIAN			UPPER QUARTILE			AVERAGE		
		Basic salary £	cash £	Buying power £	Basic salary £	cash £	Buying power £	Basic salary £	cash £	Buying power £	Basic salary £	cash £	Buying power £
SPAIN:	Chief executive	63,624	88,514	58,681	76,987	91,201	101,517	64,294	82,309	94,001	60,579	86,913	96,381
	Personnel director	47,003	49,471	37,378	57,530	63,563	45,271	74,023	81,321	54,214	60,922	66,576	46,673
	Finance director	47,582	48,717	36,808	56,799	60,944	43,338	70,175	77,407	52,464	59,132	65,011	45,508
ITALY:	Chief executive	57,978	74,388	43,832	63,622	98,649	55,964	58,273	63,241	57,093	72,280	44,585	61,015
	Finance director	45,802	48,332	29,742	57,533	63,304	35,950	63,304	66,582	73,101	42,877	57,765	61,913
	Personnel director	48,287	48,518	28,390	57,533	63,304	35,950	63,304	66,582	73,101	42,877	57,765	61,910
LUXEMBOURG:	Chief executive	50,856	61,428	42,230	68,607	82,753	53,445	63,002	99,221	82,014	72,521	82,371	53,198
	Personnel director	41,260	45,290	33,968	47,114	53,483	38,441	53,158	70,165	45,777	53,201	57,812	40,208
	Finance director	41,999	44,859	33,844	49,022	53,101	38,167	51,211	66,385	44,948	52,985	57,032	39,803
FRANCE:	Chief executive	63,837	72,615	45,967	82,360	92,304	54,197	101,185	130,214	66,889	85,318	103,503	57,980
	Finance director	40,531	43,009	28,803	53,127	59,571	38,330	54,278	71,361	45,173	53,548	58,820	38,853
	Personnel director	33,441	41,023	27,474	47,601	51,364	33,457	51,413	66,044	42,414	50,573	55,130	35,910
GERMANY:	Chief executive	74,980	85,231	44,437	91,683	107,570	52,406	113,238	137,228	63,336	96,825	118,830	56,876
	Finance director	48,990	49,142	28,313	55,334	59,850	33,250	66,217	74,933	40,349	59,441	64,327	35,738
	Personnel director	46,472	46,024	27,501	53,153	54,929	30,685	63,512	67,287	36,807	56,024	60,003	33,335
UNITED KINGDOM:	Chief executive	48,700	54,950	36,817	63,290	70,930	46,105	63,050	93,380	59,763	69,804	84,670	55,036
	Finance director	34,950	36,770	25,739	44,680	46,090	31,341	54,840	58,830	39,488	46,430	50,540	34,367
	Personnel director	32,039	33,160	23,875	39,470	43,160	29,774	49,830	55,540	37,212	41,880	46,120	31,362
SWITZERLAND:	Chief executive	71,595	80,279	39,024	86,871	99,632	46,356	110,139	135,279	59,185	92,030	109,504	50,190
	Finance director	57,258	59,881	30,772	66,284	71,963	35,482	76,834	88,134	42,231	68,713	75,721	37,335
	Personnel director	50,003	51,888	27,284	57,125	61,938	31,399	68,704	73,827	36,302	60,028	64,449	32,672
AUSTRIA:	Chief executive	59,059	73,054	36,527	64,653	74,799	46,596	109,310	124,690	60,231	91,987	106,834	51,606
	Finance director	43,259	44,818	23,169	52,437	55,900	28,424	65,117	74,656	37,428	55,528	60,569	30,797
	Personnel director	45,126	45,417	23,478	53,870	58,823	29,910	64,101	66,922	34,461	54,446	58,540	29,766
PORTUGAL:	Chief executive	30,447	33,183	29,035	38,632	46,477	38,731	53,040	62,659	50,475	44,052	51,184	41,943
	Finance director	23,687	25,842	23,324	30,397	32,925	28,610	35,969	40,701	34,493	31,553	34,719	29,897
	Personnel director	22,091	25,860	22,642	27,567	29,230	25,982	34,646	37,485	32,279	29,451	31,975	27,978
BELGIUM:	Chief executive	54,245	61,526	29,022	71,393	80,531	35,708	82,023	105,721	43,884	76,401	87,413	37,934
	Finance director	38,275	39,519	21,303	47,065	49,005	24,503	60,929	67,347	31,132	50,889	56,584	27,225
	Personnel director	38,833	40,498	21,395	49,104	51,012	25,506	60,249	66,119	30,564	50,924	55,837	26,885
NETHERLANDS:	Chief executive	53,342	63,242	31,621	68,797	76,994	37,917	86,579	97,300	44,758	71,630	83,224	39,948
	Finance director	37,848	39,279	21,996	45,833	49,661	26,320	55,464	60,881	30,431	47,003	51,364	26,709
	Personnel director	36,061	40,200	22,512	43,265	48,394	24,854	52,064	55,589	28,350	44,527	47,721	25,292
IRELAND:	Chief executive	42,174	47,804	25,830	53,249	64,232	33,375	63,553	77,214	39,364	54,506	64,766	33,653
	Finance director	34,330	36,578	20,798	45,603	48,202	20,102	37,717	41,444	29,637	43,917	49,637	26,765
	Personnel director	32,568	34,753	20,102	37,717								

## Mutual Funds - Europe

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An opportunity has arisen through the establishment of a new business unit within Midland Montagu for a Manager/Executive to join a team tasked with the establishment and management of joint ventures with European counterparties for the distribution of collective investment/savings schemes.

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## TOP OPPORTUNITIES

SENIOR POSITIONS IN GENERAL MANAGEMENT

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#### Banking

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The successful applicant will be familiar with credit analysis techniques as well as the political, legal and accounting issues which surround the chosen markets.

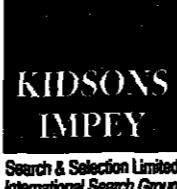
As well as responsibility for the marketing function at Head Office level, he or she must have the ability to

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communicate at all levels in the field and have the ambition and skill to become a centre of excellence.

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## BANKING FINANCE & GENERAL

### PROPRIETARY TRADING

## Derivative Products

Our client is a UK bank with a reputation for creativity and innovation within its treasury and capital markets functions. The derivatives trading desk covers a range of off-balance sheet products, both OTC and exchange-traded, and is now looking to intensify the activities of its proprietary trading via the recruitment of two product specialists.

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Must have at least two years' specific experience in the trading of US\$ swaps as a spread against US treasuries. A thorough knowledge of cross-currency swap pricing is desirable as is a broad understanding of risk management products from a trading and an advisory perspective.

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Interested candidates should contact Nick Bennett at BBM Associates Ltd (Consultants in Recruitment) on 071-248 3653 or write, sending a detailed CV to the address below or use our confidential fax line on 071-248 2814. All applications will be treated in the strictest confidence.

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##### Young MBA with Arabic

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The successful candidate will have an analytical first degree, ideally an MBA from a first class business school and at least two years' grounding in the financial services/banking sector. He/she may also be an Arabic speaker, but must have a strong interest in Middle Eastern affairs. This individual will have excellent communication skills and will be capable of taking a pro-active stance in an often difficult market. An open and flexible approach is essential. Salary will be commensurate with experience, but the package will include competitive salary and full banking benefits.

#### Private Banking - Relationship Manager Experienced Private Bankers

Based in London but with frequent travel to the Gulf region, this individual will be responsible for maintaining and developing client relationships and for marketing a range of predominantly private banking products, specifically asset management, foreign exchange and some derivative products.

Probably in their late 20's/early 30's the successful candidate will have an analytical first degree together with an MBA from a top business school. He/she will ideally have experience of fund management and investment analysis, preferably covering both the fixed income and equity markets. A knowledge of, and contacts in the Gulf region are essential, as is a fluency in Arabic.

Salary is negotiable but will be competitive.

Please write enclosing a CV to our retained consultant, Jane Hayes at BBM Associates Ltd (Consultants in Recruitment) at 76 Watling Street, London EC4M 9BZ. Tel: (071) 248 3653. Alternatively use our confidential fax line on (071) 248 2814. All applications will be treated in the strictest confidence.

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For further information on these appointments please contact either Howard Foster or Lucy Ayrton, day 071-387 5400 (or evenings 0777-5539 or 071-585 3466), or send a copy of your CV to them at Financial Selection Services, Dayton House, Gordon Street, London WC1H 9AN.

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Europeanian \$ ..... £Neg

Europollar Bonds ..... £Neg

European Currencies ..... £Neg

Money Markets ..... £Neg

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The team liaises closely with traders and senior

Please contact our retained consultant Simon Clarke at Harrison Willis on 071-629 4463 (Fax no: 071-471 4705) or write enclosing a full curriculum vitae to the address noted below.

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## Financial Controller

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Central London

Our client is a successful medium-sized advertising and communications agency. It is privately owned with a blue chip client list and an impressive record of winning and maintaining new business, and is ideally poised for substantial growth.

The company needs to recruit a Financial Controller to head the financial and accounting side. This is not just a functional role; the FC will contribute to the management and development of the business and lead a team of four.

If you think that you are the self starter we are looking for, please write to Geoffrey Rutland, FCA, AT11 at the address below, quoting reference 1690 and giving concise career and salary details and a daytime telephone number, or phonon: 071-489 9000 or 081-744 0262 (evening).

BDO Consulting, 20 Old Bailey, London EC4M 7BH



## Group Financial Controller

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FMCG

West Midlands

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## ACCOUNTANCY COLUMN

## Easing the burden of small company audits

By **Stella Fearnley**

**THE PROSPECT** of tougher auditing standards and the costs of the new compliance mechanisms are making a nonsense of existing audit requirements for small companies.

This month's proposed new standards from the Auditing Practices Board (APB) put greater burdens on auditors by recommending that they are more pro-active in ensuring that a company is a "going concern", and at they issue a "more definitive" opinion on the financial statements in audit reports.

Meanwhile, auditors are having to adjust to a costly new regulatory regime, introduced in October 1991. All auditors must now be registered as competent to carry out company audits. They are subject to inspection to ensure they are complying with new regulations, which lay down standards for practice management, independence, professional conduct, technical competence, training and the conduct of audits.

To date, there are over 15,500 auditors names on the register, responsible for scrutinising the accounts of more than 1m companies. Many are small firms and sole practitioners whose client portfolio contains only small companies. They have been forced into this complex and costly regime because unlike other EC countries, UK company law does not differentiate in its audit requirements between the multinational conglomerate and the owner-managed corner shop. Consequently neither do the current auditing standards and guidelines.

The more effective the APB's future

pronouncements are in tightening up on recognised inadequacies in the audit process, the greater the regulatory burden will impose on the small business sector and the less appropriate the regime will become for the sector.

Many practitioners and proprietors of small companies hold the view that the law is an an on the subject, and the closer one gets to the practicalities of auditing small companies the more "senseless" it becomes. There are questions over whom the audit benefits, conflicts over the auditor's role, and practical difficulties in conducting audits.

Consider the situation of a small trading company controlled and run by a husband and wife as directors. In compliance with the requirements of company law, they maintain the legal minimum accounting records: a cash book, personal ledgers for debtors and creditors, and a record of the year-end stock, along with supporting vouchers.

The directors do not normally have the knowledge or expertise to prepare their own legal accounts, calculate their tax liabilities or carry out the duties of the Company Secretary. So they hire a practising accountant who performs these tasks as their agent and often acts as a business adviser.

The relationship becomes muddled when the accountant has to shift position from acting as agent for the directors to acting as auditor of the company. The law requires him to report to the shareholders on the truth and fairness of accounts which he has just prepared for them in their capacity as directors. In other words, the auditor expresses an opinion on

his own work to enable the directors to report to themselves as shareholders.

Equally, fundamental problems can arise because of the inevitable limitations on the audit of a small company. The main objectives of an audit could be summarised simplistically by five questions. Is the income complete? Do all payments represent value to the company? Are the assets over-stated? Do the accounts comply with the law?

To answer these questions, the auditor makes an assessment of the company and designs his work accordingly. He takes account of the track record of the company and the directors, the reliability of the accounting records, the consistency of accounting ratios, the systems of internal control, and his judgment of the key areas of activity where effort should be focused.

Having made this assessment, he plans the mix of tests he will carry out. Audit testing may include compliance tests on the control systems, review of transactions, verification of the existence and valuations of assets and liabilities by reference to documentation or by other corroborative evidence, and a detailed review of the accounts. Any problems identified must be discussed and resolved before an audit opinion can be given.

But because there is no internal control and division of duties in a husband and wife company, a vital source of comfort for the auditor is not available. It is not possible to corroborate evidence or rely on the systems within the organisation.

Purchases and existence of assets

can be confirmed through third par-

ties, but how does an auditor confirm that all income has been accounted for? If he has reason to suspect that income is being diverted from the company by the directors, he can only address his queries to them, which is not going to contribute much to the audit process.

There is also the problem of dealing with discrepancies between the cash account and bank statements. Unidentifiable payments could be legitimate business expenses, but expenses could be directors' personal expenses passed through the books of the business.

Compliance with the Companies Act – particularly the requirement for maintenance of proper accounting records – also causes difficulty. The accountant often has to compensate for deficiencies in record-keeping by meticulously constructing accounts from a jumble of paper. Accountants should be aware that these records as "paper bag jobs", or old-fashioned "spike audits".

Having carried out this task and charged a fee for it, when he puts on his auditors' hat the accountant is understandably reluctant to qualify his client's accounts for a breach of the Act. But expressing a true and fair view opinion in such a case may be stretching a point.

There used to be a form of audit report which referred to accepting assurances from management in the absence of other corroborative evidence. This was much used by small practitioners in small company accounts, but was eventually viewed by the former Auditing Practices Committee as an excuse for not doing an audit and was withdrawn.

Although it was not the best of vehicles, it was a form of tacit recognition that there are many situations in small companies where an auditor is forced to rely heavily on information given by the directors without other corroboration.

Objections have been raised to abolishing small company audits in the past by third-party users – the banks and the Inland Revenue in particular – and by other creditors, to whom the auditors owe no duty of care, but who nevertheless make use of information in audited accounts.

A less onerous and more realistic reporting regime for small companies is needed, and there are precedents both in the US and in the Antipodes. Accounts of small companies are reviewed by qualified accountants, which provides reasonable assurances to third parties without the need for a full audit. As most of the accounts preparation work for small companies is already done by practising accountants, this makes the process very much simpler and more cost effective.

A similar system in the UK would mean that small companies would have some obligations in exchange for the benefits of limited liability, without incurring the costs of auditing and audit compliance. That would leave the Auditing Practices Board and the Regulators to get on with the job of dealing with the major problems.

**Stella Fearnley** BA FCA is Grant Thornton Lecturer in Accounting at the University of Southampton, and immediate past president of the Southern Society of Chartered Accountants, and a member of the Council of the Institute of Chartered Accountants in England and Wales. The views expressed are her own.

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Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to Adrian Edgell or Angela McDermott, Coopers & Lybrand Deloitte Executive Resourcing Limited, Albion Court, 5 Albion Place, Leeds LS1 6JP, quoting reference number AE856 on both envelope and letter.

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**Trinity**  
WEEKLY NEWSPAPER LTD

## COMMODITIES AND AGRICULTURE

## Coffee delegates under pressure

By David Blackwell

THE PRESSURE on coffee producers to come up with firm proposals for measures to support world prices mounted yesterday as the markets retreated in both London and New York.

The producers, who today end a three-day meeting at the London headquarters of the International Coffee Organisation, have been widely expected to reach agreement on a course of action that could be put before consumers at a full meeting of the ICO at the end

of next month. Yesterday analysts felt that a consensus would be reached, but that it would be couched in vague terms.

Mr Lawrence Eagles, analyst with GNL, the London futures brokers, said that the producers would have to come up with concrete proposals to stop the markets turning bearish again. Mr Peter Kettle, of E.D. & F. Man, said the producers needed to have specific figures to put before the consumers.

London's July robusta contract closed at \$725 a tonne,

down \$10, while New York's nearby arabica contract was off more than 1 cent at 62.90 cents a lb by midday on trade selling. However, trading was thin as most of the cash markets in Europe were closed for the Ascension Day holiday.

Brazil and Colombia, the two biggest producers, last week moved a lot closer in attitude towards the coffee agreement. However, the National Coffee Association of the US, the biggest consumer, last week reiterated its strong support for a continued free market.

London's July robusta contract closed at \$725 a tonne,

down \$10, while New York's

## Malaysian tin mine brought back to life

Paul Newman on the third incarnation of the Sungei Lembing operation in Pang

ALAYSIA'S SUNGEI Lembing tin deposit has demonstrated once again that you cannot keep a good mine down.

Once the world's biggest single source of tin, it was flooded and abandoned during the Japanese occupation in the Second World War. It was reopened at the end of the war but flooded again in 1987, after the operating company was forced into liquidation as a result of the slump in the prices. Undaunted by its chequered history, however, a Chinese-Malaysian partnership has now reopened the mine, partially pumping out the workings to resume hard rock mining, and has longer term plans to bring the entire complex back into operation.

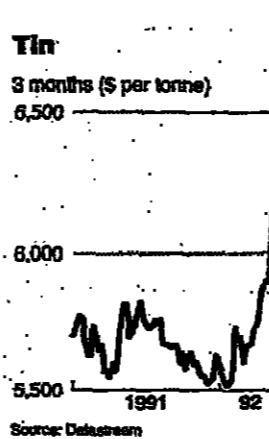
The recent recovery in the prices, with LME quotations reaching an 18-month high and Kuala Lumpur Tin Market prices at the highest levels since August 1991, has come too late to save many of the higher-cost producers. The closure on 1 May of Gopeng, Malaysia's largest hydraulic tin mining operation, is the latest casualty in a lengthy list of mine closures brought about by the collapse of the International Tin Council's buffer stock operation in October 1985 and the subsequent slump in prices as more than 100,000 tonnes of stockpiled tin were released on to the market.

High-cost, hard rock mining – including the whole of the Cornish industry, the Kelapa Kampit mine in Indonesia and, briefly, Australia's Renison, the world's largest underground tin mine – fell victim to the slump. Low-cost Brazilian smelters would almost certainly take much longer to be built than some observers expected.

But analysts had probably also underestimated the industry's ability to squeeze more production out of existing smelting capacity.

For example, Noranda might spend more than US\$500m to double output from 53,000 tonnes at its Gaspé copper smelter in Quebec.

Noranda's Horne smelter, also in Quebec, might expand capacity over time. Horne once was able to treat 1.3m tonnes of copper concentrate (an intermediate material) a year but



year up to 1977. But output then began to decline steadily with only 744 tonnes produced in 1986, the last full year of operations. In 1987, PCC was forced into liquidation, the pumps were switched off and the workings flooded. All the mining equipment and infrastructure – including headframes, dressing sheds and the rail network – was dismantled for scrap and among those who came to purchase PCC's salvage were two mining executives who had recently worked out Perak tin mine.

By mid-1990, when tin prices

were about \$1.5m a kilogram, half the level obtaining prior to the 1985 crisis, and with an accelerating closure of much of the world's tin mining capacity, Sungel Lembing became the first lode tin mine to reopen and start operations since the market collapse.

Widespread industry scepticism greeted the move, the venture being dismissed as undercapitalised and doomed to failure.

Some two years later the

new operating company, Sun-

gei Lembing Tin, is now gear-

ing up to increase output from

an initial 1.5-2.0 tonnes a month, and has established proved and

probable reserves of 757,000 tonnes, grading 1.15 cent

tin, or 7,300 tonnes recoverable

metal.

Only Cukak of Sungel Lem-

bing's three major mining sec-

tions is currently being worked

but the company's goal

remains to make the entire

mine fully operational by

pumping out and reopening

the other two sections, Wil-

liam and My

The head-

frame is back into the

Cakak section. The mine

has been dewatered, development down to first level

120 feet below surface.

Dewatering conti-

ues and the company

hopes to be open to the

15th level.

The rehabilitation of Sungel

Lembing lies in face of

conventional wisdom that tin

is a sunset industry, a view

most recently voiced by a

person than Malaysia's Min-

ister of Primary Industries,

Datuk Seri Lim Kit Yip,

who advised in mid to get

out of the business export

their technology an-

onymously into alternative empl-

oyment.

With world tin stocks ex-

pected to be down to 25.6m tonnes

by the end of this year, the

lowest level since 1982, tin

prices rising in response to

near equilibrium in supply/demand balance, the entrepreneurial courage of a Chinese geologist and Malaysian businessman is now being rewarded.

Some 100 miners currently

employed at the location

have breathed new life into the

small township of Sungel Lem-

bing's state capital, an-

cient town was willy-

dependent for its livelihood

and was left for dead when

PCC went into liquidation

in 1987. Business has w-

orldwide returned to the small

and street traders and Ma-

liam Klang and Mr Datuk

ji Nasir are being hailed as

the saviours of the local com-

## Tight copper supply forecast

By Kenneth Gooding, Mining Correspondent

COPPER PRODUCERS would have to struggle very hard to keep pace with future demand because of shortages of smelting capacity, said Mr Alex Baloghi, chief executive of Noranda Minerals, the Canadian group, yesterday.

It was impossible to justify investment in new copper smelters because the expected rate of return on capital was inadequate, he said. New smelters would almost certainly take much longer to be built than some observers expected.

But analysts had probably also underestimated the industry's ability to squeeze more production out of existing smelting capacity.

For example, Noranda might spend more than US\$500m to double output from 53,000 tonnes at its Gaspé copper smelter in Quebec.

Noranda's Horne smelter, also in Quebec, might expand capacity over time. Horne once was able to treat 1.3m tonnes of copper concentrate (an intermediate material) a year but

this had been reduced to 700,000 tonnes (producing about 186,000 tonnes of copper) because of environmental pressures. Horne's output might be increased again to 850,000 to 900,000 tonnes.

Mr Baloghi said: "I have been in this business for more than 15 years and in all that time smelters have run with charges giving an unacceptable rate of return on the capital required just to keep them running – just to stop the roof from leaking."

New copper smelters had been built but for political or strategic reasons and this would be the case in future, he added during a presentation in London.

Expansion at Gaspé depended on Noranda buying a high-quality copper project or operating mine outside Canada because the mine near the

100,000-tonne capacity of the

existing plant. The new project would have to be an open-pit mine because the ore body was so big and rich.

He said the copper industry would probably scrape by in future but supply would be tight so prices could be expected to remain buoyant. Noranda expected copper to range in price between \$1 and \$1.20 a lb next year, between \$1.25 and \$1.40 next year and between \$1.30 and \$1.50 in 1994.

## Trader calls for rise in US wheat area

By Nancy Dunne in Washington

JUST AS the EC is preparing to boost land set-asides in a reformed Common Agriculture Policy, Cargill, the giant US grain exporter, is urging the US government to end acreage reduction for wheat and to even to put some of the land in the US conservation reserve back into production.

"The US wheat industry is showing all the signs of an industry in trouble," Cargill said, in its company bulletin. "It is evident in the dwindling share of world wheat markets – down to levels rarely seen since the United States became a commercial exporter of wheat 30 years ago."

According to Cargill, the Conservation Reserve Program has taken 11m acres of formerly productive wheat acreage out of production. With these constraints full US production is 400m bushels – less than full production at the start of the 1980s – at a time when world grain usage has grown by about 3bn bushels in the last 10 years.

The US simply cannot hold its own by producing less when the world is consuming more," said Cargill.

The US Department of Agriculture says non-US wheat and wheat flour production grew steadily from 1988-89 until last year – from 59.7m tonnes to 71.2m tonnes. The most recent estimates indicate a reduction

of wheat production for 1992-93 from non-US sources to 69.6m tonnes.

Meanwhile, US wheat production has varied over the past four years from 37.6m tonnes to 33.5m tonnes to 28.3m tonnes to 35.7m tonnes.

The most recent US grain report predicted a 32.5m output for the US this year.

Most of American wheat exports over the past six years have been subsidised, according to Cargill. This has led to "scrambled market signals" and confused producers. "US wheat prices are lower than they would be in an open market, given that carryover stocks are at their lowest point in decades," said the Cargill bulletin.

Mr Hazan cited several factors to support his expectations of higher tin prices: lower wild-cat output at Brazil's Bom Futuro mine, the stabilisation

of Chinese production at the 15,000 tonnes a year, and the return of Russia to the consumer market, with estimated needs of about 8,000 tonnes a year.

He noted that the Russians had approached major international producers for price quotes, signalling their intention to begin importing again after a two year hiatus.

Global production is slowed because many mining companies practised selective extraction during the period of lean years, going after high grade deposits, partly to hold down costs. "Those high grade deposits are depleted," said Mr Hazan. "And it is not easy to increase production when you are working with lower grades."

Mr Hazan expects a supply

shortfall of 12,000 to 16,000 tonnes this year, even after adjusting for the release of 12,000 tonnes from strategic reserves by the US.

Brazilian production should drop from 29,000 tonnes to 25,000 tonnes, with Paranapanema accounting for about 17,000 tonnes. Brazil gave up little when it pledged to an injunction to delay start-up. A three-member Supreme Court panel delayed an expected ruling this month when one of the justices asked for more time to study the case. The other two justices were prepared to rule in favour of Ebesa.

Lower yields from wildcat mining at Bom Futuro are primarily responsible for the lower Brazilian figures. Mr Hazan believes that output there should reach 8,000 tonnes this year, down from 10,000 tonnes in 1991. The mine pro-

duced 33,000 tonnes as recently as 1990.

Paranapanema is involved in a court battle over rights to Bom Futuro. Ebesa, a seven-

member joint venture headed by Paranapanema, holds the necessary government permits to operate there, but wild-cat miners have obtained an injunction to delay start-up. A three-member Supreme Court panel delayed an expected ruling this month when one of the justices asked for more time to study the case. The other two justices were prepared to rule in favour of Ebesa.

A final decision is expected in the coming weeks. If favourable to Ebesa, the company would be primed to begin operations within two or three months. While Ebesa's extraction operations are prohibited by the injunction, the company

is carrying out research to re-

evaluate the potential of the

operating site in the Amazon

state of Rondonia. Mr Hazan

predicted that output would

remain about the same as the

6,600-7,000 tonnes now

extracted by the wild-cat min-

ers. They extracted 61,500 tonnes between 1987, when operations began, and last year. Ebesa expects to invest between \$60m and \$85m in Bom Futuro if it gets the nod from the courts.

Paranapanema plans about

\$20m of new investment in

Brazil this year, split between

its construction and mining

divisions, now united under a

un









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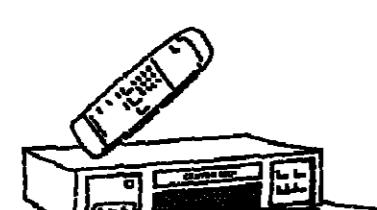


## **NEW YORK STOCK EXCHANGE COMPOSITE PRICES**

3:00 pm prices May 28

# Samsung 4HD Hi-Fi VCR

## VT-2870



### Jog & Shuttle Auto Tracking



## AMERICA

## Dow higher despite telephone sell-off

## Wall Street

US EQUITIES managed to post slim gains yesterday morning, in spite of a strong sell-off of cellular telephone and long distance telephone stocks following news of a stock-swap merger between Sprint and Centel, valuing Centel at \$2.55bn, writes Karen Zagor in New York.

At 1pm, the Dow Jones Industrial Average was 3.37 higher at 3,973.81 in volume of more than 11.3m shares. Advancing issues outpaced those declining by a ratio of 8 to 7. The more broadly-based Standard & Poor's 500 rose 0.95 to 413.12, while the Nasdaq composite was up 1.12 at 578.47. On Wednesday, the Dow closed up 6.23 at 3,970.44.

There was little reaction to

news that jobless claims for the week ending May 16 had fallen by 4,000 in a week when many analysts had expected claims to rise.

A proposed stock-swap merger between Sprint, the third biggest US long-distance telephone company and Centel, a Chicago-based local telephone company, wreaked havoc with telephone company stocks yesterday morning. Investors were jolted by the low valuation of Centel. Centel holders will get Sprint stock valued at \$33.57, nearly \$9 below Centel's closing price of \$42.45 on Wednesday.

At mid-session, shares in Centel had plummeted \$10% to \$31.14, while Sprint dropped \$1.25 to \$22.75.

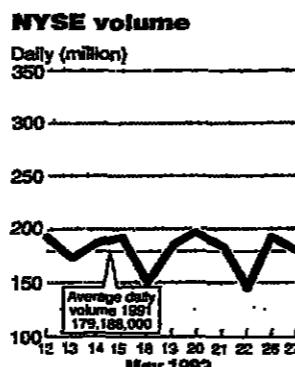
The low price threw into question how other cellular companies are valued and led

carriers, American Telephone & Telegraph, firms \$4 to \$42% while MCI Communications added \$1% to \$31%.

In the airline sector, share prices were depressed by concerns about an accelerated fare war triggered by news that American Airlines was cutting its lowest advance purchase fares by 50 per cent. AMR, parent of American airlines, fell \$2% to \$61.45, UAL, parent of United Airlines, lost 4% to \$112.75. USAIR slid \$3% to \$12.35 and Delta Air Lines eased \$1% to \$36.25.

Among advancing blue chip stocks, Philip Morris advanced \$1.25 to \$114.50, Merck firms \$4 to \$42% and PepsiCo added \$1% to \$35.50.

Shares in US cereal makers gained ground after Kellogg said that it was increasing US cereal prices by an average of \$31%.



to strong selling of cellular company stocks. Lin Broadcasting dropped \$4 to \$67.75, McCaw Cellular tumbled \$2 to \$26.50 and GTE slipped \$4 to \$31.50.

Among other long-distance

carriers, Kellogg moved \$1% higher to \$57.75, General Mills rose \$1% to \$60.45 and Quaker Oats by 8% to \$55.50.

Auto company stocks, which rose on Wednesday following surprisingly strong mid-May car sales, were mixed. Ford slipped \$4 to \$43.75, General Motors held steady at \$39, and Chrysler added \$1% to \$18.

## Canada

TORONTO lost ground at mid-day as banks continued to weaken following further developments at Olympia & York which called in the administrator at its UK development.

The TSE 300 lost 19.66 to 3363.20 in volume of nearly 15m shares. Declines led advances by 245 to 174, with 247 unchanged.

Shares in US cereal makers gained ground after Kellogg said that it was increasing US cereal prices by an average of \$31%.

Among other long-distance

## ASIA PACIFIC

## Foreign buying reverses Nikkei's downtrend

## Tokyo

SHARE prices, which had fallen initially on arbitrage unwinding, picked up on late afternoon bargain hunting and index-linked buying, writes Emano Terazawa in Tokyo.

The Nikkei average finished a net 108.69 up at 17,931.25 after a low for the day of 17,886.07 and high of 17,944.20. The index fell on selling by arbitrageurs, triggered by a lower futures market. However, index-linked buying, prompted by short-covering in the futures market, and foreign bargain hunting pushed equities into positive territory by the close.

Volume shrank to 200m shares from 294m. Advances led declines by 508 to 406, with 204 issues unchanged. The Topix index of all first section stocks gained 4.70 to 1,306.31, but in London the ISE/Nikkei 50 index shed 3.75 to 1,071.14.

Foreigners were seen small lot buying across the board. Mr Brian Tobin at S.G. Warburg Securities said: "Overseas clients are active, buying up cheaper stocks, but domestic clients are only watching."

Activity was dominated by

short-term "theme" trading by dealers. Meiji Milk Products, the most active issue of the day, climbed Yen 35 to Yen 10.10, and Mitsubishi Kakoki, a water treatment equipment maker, rose Yen 10 to Yen 810.

In addition to the biotechnology and environmental protection themes, dealers are trying to promote companies related to China, seen as a potentially large market for Japanese companies. Yachan Japan, a medium-sized retailer, added Yen 60 to Yen 1,420 on the "China theme".

Blue chip electricals gained ground. Foreign buying lifted Sony Yen 210 to Yen 230.

Mining issues were boosted by higher gold prices. Nippon Mining moved up Yen 18 to Yen 459.

Hutchison Whampoa gained 40 cents to HK\$18.80 on plans to privatise Cavendish, the existing issued stock finishing HK\$1.05 up at HK\$18.25. Hong Kong improved Yen 30 to Yen 820 and Fuji Yen 20 to Yen 460.

Before the market closed, Sakura Bank announced that its capital adequacy ratio for the year ended last March fell short of 8 per cent, the level required by the Bank for International Settlements. Investors, however, failed to

respond, and Sakura remained unchanged at Yen 1,070.

In Osaka, the OSSE average picked up 15.87 to 20,600.52 in volume of 14.5m shares.

Strength in Ono Pharmaceutical, caught on the bio-technology theme, encouraged small buy in other issues. One, Osaka's leading active of the day, rose Yen 20 to Yen 4,920.

## Roundup

PROFIT-TAKING in Hong Kong was the most significant factor in a mixed day for the region.

HONG KONG closed sharply lower, the Hang Seng index losing \$3.65 to \$5,988.13 in turnover of HK\$3.3bn.

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Among other long-distance

## EUROPE

## Milan and Madrid gain in quiet trade

MOST bourses were closed for the Ascension day holiday, but Milan and Madrid produced gains yesterday, writes Our Markets Staff.

MILAN, which had broken its rising trend on Wednesday, returned to the upgrade yesterday with the Comit index closing 1.97 higher at 494.62.

A strong performance by the banking sector, assisted by foods, provided the base for yesterday's recovery. Last week's rally had centred on the Industrial sector, noted Mr Michele Pacitti of County NatWest; banks had been left behind, partly because there were (somewhat unlikely) rumours that the state might sell off some of its holdings in Credito Italiano and BCI.

Credito Italiano gained 4.4 per cent on what some dealers described as short-covering, closing 1.74 higher at L1,770. Banco di Roma closed L67 higher at L2,005, but surrendered Lsion the kers; and, on-screen, BCI touched a high of L3,195, up L50 at the close.

MADRID generally ignored

the half-day general strike, which appeared to have limited success, with reports of public transport running normally in many parts of the country. The unions had called the action in protest at the government's public spending cuts. The general index gained 1.63 to 259.04 in volume of some Pta10bn, with strong foreign interest noted.

Telefonica, Repsol and Iberdrola accounted for some 30 per cent of market volume. The telecommunications group gained Pta50 to Pta1,165 with some 1.2m shares traded. The company has been gaining ground since announcing earlier in the month that it was to raise its dividend - the first time since 1979.

Mr Paul Burke of Davy Stockbrokers in Dublin said that the apparently flat trajectory of the market this year had concealed early strength in industrials and foods - the former broken recently by disappointing 1992 prospects for Jefferson Smurfit, the paper and packaging group - and a early lag in performance by Ireland's financials which have since come through to support the market.

Iberdrola II advanced Pta47 or 9 per cent to Pta547 following comments on Wednesday by the chairman of Iberdrola I that the merger of the two utilities should be completed by the end of the year.

The banking sector was generally firmer following weakness this week after reports that some banks faced bankruptcy this year. Santander was Pta60 stronger at Pta2,765, having lost Pta250 over the past few days.

DUBLIN, which had been easing backwards this week, started lower and stabilised yesterday, the ISEQ overall index closing only 0.44 lower at 1,381.36.

Mr Paul Burke of Davy Stockbrokers in Dublin said

that the apparently flat trajectory of the market this year had concealed early strength in industrials and foods - the former broken recently by disappointing 1992 prospects for Jefferson Smurfit, the paper and packaging group - and a early lag in performance by Ireland's financials which have since come through to support the market.

Iberdrola fell sharply following a rise in interest rates at Wednesday's three-month Treasury bill auction. The index closed down 58.37 at 3,233.16 in turnover estimated at TL117.5bn, down from TL30bn previously.

The Treasury sold bills worth TL1.67 trillion, up from TL41bn in the previous auction.

Prices of 61 shares fell, 18 rose and 42 finished unchanged. Among active stocks Eregli rose TL50 to TL3,250 while Tupras and Cukurova Elektrik were both unchanged at TL3,700 and TL5,300 respectively.

MANILA was affected by a loss of electricity which kept activity low, and the composite index fell 18.48 to 1,493.35 in combined turnover of 279.8m pesos.

South Africa was also closed for a public holiday.

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY MAY 27 1992						TUESDAY MAY 26 1992						DOLLAR INDEX					
	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	High Low	Year ago (approx)			
Australia (89)	150.73	-0.4	124.09	122.82	120.00	132.25	-0.2	4.18	151.73	123.05	124.08	126.92	133.05	153.65	140.94	138.95		
Austria (74)	119.54	-0.7	104.42	104.42	104.43	104.42	-0.1	4.18	119.54	104.42	104.42	104.42	104.42	104.42	104.42	104.42	104.42	
Belgium (46)	141.49	-1.2	116.48	120.22	117.07	117.07	+0.1	5.20	142.25	116.18	117.12	119.83	116.93	146.18	142.20	135.20	135.20	
Canada (115)	125.75	+0.3	104.45	104.15	107.45	107.45	+0.0	3.32	126.85	102.22	103.67	106.05	110.32	142.12	125.80	135.83	135.83	
Denmark (35)	242.95	-0.1	200.00	199.														